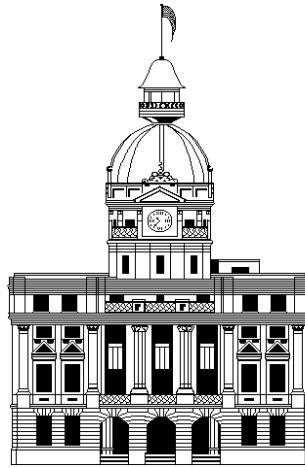


**YEAR END
DECEMBER 31, 2003**

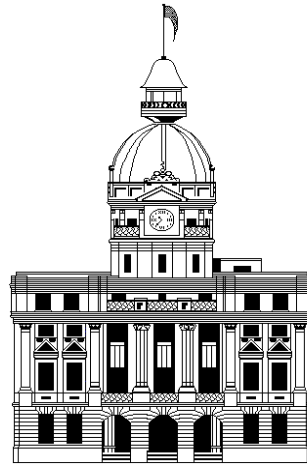
DISCLAIMER

The financial reports and statements of the City of Savannah contained on the City's web pages are historical information that present the City's financial position as of their particular date. The City assumes no obligation for updating these historical reports and statements. Each financial report and statement is subject to change at the sole discretion of the City without notice.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF SAVANNAH, GEORGIA
YEAR ENDED DECEMBER 31, 2003**



**PREPARED BY:
FINANCE DEPARTMENT
APRIL 18, 2004**



**CITY OF SAVANNAH, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2003**

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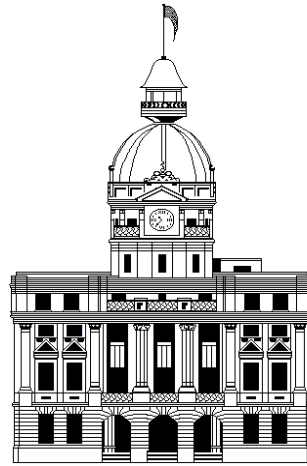
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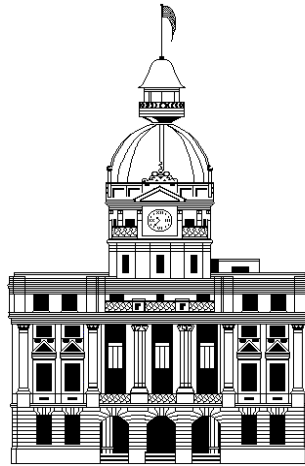
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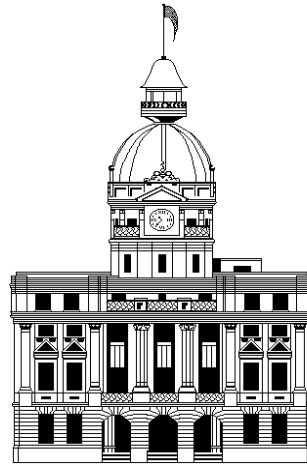
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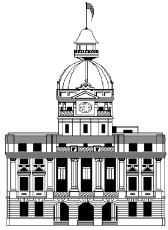
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INTRODUCTORY SECTION
LETTER OF TRANSMITTAL
PRINCIPAL OFFICIALS
ORGANIZATION CHART
CERTIFICATE OF ACHIEVEMENT





CITY OF SAVANNAH – Office of the City Manager
P.O. Box 1027
Savannah, Georgia 31402
(912) 651-6415 Fax (912) 238-0872

April 18, 2004

Honorable Mayor and Aldermen
City of Savannah
Savannah, Georgia

Dear Mayor and Council Members:

In accordance with state statutes and local charter provisions, we hereby submit the Comprehensive Annual Financial Report of the City of Savannah for the year ended December 31, 2003. Responsibility for both the accuracy of the information contained in this report, and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the information, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Presentation

The organization, form, and content of this report as well as the accompanying financial statements and statistical tables were formulated according to the principles prescribed by the Governmental Accounting Standards Board and the guidelines recommended by the Government Finance Officers Association. The Comprehensive Annual Financial Report consists of four sections:

1. The Introductory Section contains unaudited data including this Letter of Transmittal, a list of principal officials, an organization chart, and the Certificate of Achievement for Excellence in Financial Reporting.
2. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements, and the Notes to the Financial Statements.
3. The Supplemental Section includes Required Supplementary Information, Notes to Required Supplementary Information, Nonmajor Fund combining statements, and Other Schedules.
4. The Statistical Section contains a number of tables of unaudited data depicting the financial history of the City for the past ten years, information on overlapping governments, information required by accounting disclosure certificates of the City made in connection with bond issues, demographic and other miscellaneous information.

In addition to the audit of the financial records, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations and auditors' reports on the internal control and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are presented in a separate report which can be obtained from the Finance Department of the City.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditors' Report.

Reporting Entity

The financial reporting entity of the City includes all the funds and account groups of the Mayor and Aldermen of the City of Savannah, as well as all of its component units. Component units are legally separate entities for which the City is financially accountable. The City provides a full range of services including police and fire protection; sanitation services; water and sewer utility; the construction and maintenance of highways, streets and infrastructure; recreational activities and cultural events.

Blended component units, although legally separate entities, are, in substance, part of the City's operations and are included as part of the City. Accordingly, Resource Recovery Development Authority (RRDA) is reported as an enterprise fund of the primary government.

Factors Affecting Financial Condition

Local Economy

Despite the nation's economic concerns, Savannah's economy remained relatively stable during 2003. The City's diversified employment base as well as the growing Port of Savannah contributed to the City's economic progress. The City's economy is supported by several key factors. First, manufacturing employment is a vital component of the area's economic base. Chatham County is one of the largest industrial counties in Georgia with approximately 14,500 manufacturing jobs. The top manufacturing employers are: Gulfstream Aerospace (4,000 employees); International Paper (1,640); Great Dane Trailers (1,100) and Kerr-McGee Chemical (640).

In addition to manufacturing, the tourism and service industries provide almost half of the county's employment. The National Landmark Historic District in downtown Savannah is the number one visitor attraction in Georgia. The downtown area has more than 2,200 hotel rooms, 9,000 residents, and over 2,300 historically significant properties. Over 6 million visitors enjoy the City each year. Savannah has achieved national recognition as a tourist destination in such publications as Conde Nast Traveler and The New York Times Travel Section. The recently completed Savannah International Trade & Convention Center has boosted the area's ability to compete for the nation's larger business conventions. The center consists of 350,000 square feet of space with an available 100,000 square feet of exhibit space. The center is located on Hutchinson Island, across the Savannah River from the Historic District.

The Port of Savannah continues its rapid growth and expansion. Although the Port has a number of private businesses with docking facilities, the Georgia Ports Authority has the largest wharf facilities including the two major terminals of the Port. The Port is the farthest inland port on the eastern seaboard. This places Savannah within a day's haul over road or rail to many Midwestern markets, making it a very accessible facility. During 2003, the Port ranked in the top five nationwide in the number of containers handled. The Port of Savannah ranked 34th in total trade while nearby ports of

Charleston and Jacksonville ranked 38th and 39th respectively. The Georgia Ports Authority is currently in the midst of a multi-million dollar expansion project including the construction of its Intermodal Container Transfer facility at the Garden City container port. The transfer facility will be the only one of its kind on the east coast, and at final buildout, it will span over 150 acres with 40,000 feet of rail track and 80 acres devoted to container storage and marshalling operations.

The City is also the heart of retail sales activity for the entire Savannah MSA. Two major shopping malls and 39 smaller shopping centers are located in the City. Taxable retail sales for Chatham County totaled over \$4.6 billion in 2003.

Coastal Georgia has been selected as the site of the 2004 G-8 Conference to be held in June of 2004. The Conference will be held on Sea Island while Savannah will be headquarters for national and international media, with the Trade Center as the Communications Center. This international event will bring thousands of visitors to the City including national and international dignitaries and potentially some protest groups.

Financial Planning

Consistent with its past practice the City adopted a conservative approach in defining the 2004 budget. By balancing planned expenditures to anticipated revenue streams the City was able to maintain a millage rate of 13.3 in 2004. Since 1996, the City has been steadily decreasing its property tax rate. Since 1996, the property tax millage rate has been reduced 4.16 mills or nearly 24%.

The City met the following fiscal challenges in developing the 2004 budget:

- Over \$1.6 million in additional contributions for fringe benefits and risk management activities. The rising cost of City provided employee health care benefits requires additional monies totaling almost \$350,000. Recent plan improvements and weak market performance dictate increased contributions to the City's pension plan of \$392,000. An additional allocation of \$881,901 is required for general liability as the City prepares for state mandated erosion of sovereign immunity as it relates to municipal corporations.
- Ever increasing environmental regulations and service extensions necessitate the expansion and upgrade of the City's water and sewer infrastructure at a cost of \$8.1 million for 2004.
- Additional costs of \$210,353 to hire and equip six new police officer positions. With the addition of these six positions, the total additional police officers added over the past five years will be thirty-two.
- Additional resources needed to expand Savannah's first class Fire Department to provide services to the recently annexed areas of Sweetwater/Bradley, which will soon be developed. This initiative includes eighteen additional firefighters and the construction of new fire stations.

Each year the City performs a review of financial trends and updates its five-year financial plan. This long-range planning accomplishes two important objectives. First, it allows for the early identification of challenges. Secondly, it provides information to elected officials for policy setting. As a result, potential problems are addressed proactively. The trend analysis considers thirty-five demographic and financial trends for the City. The indicators are updated for the most recent five year period. The five-year financial plan starts with consideration of the results of the trend analysis and applies economic assumptions, where applicable, to project the City's General Fund revenues and expenditures forward over a five year period. This provides the base to which anticipated major changes are added. Projections are then made for the General Fund because it is used to support more services than any other fund. This snapshot of the City's financial future allows the time to make the necessary adjustments to manage problems identified on the horizon. A positive future can be created for citizens with the necessary planning and thought.

Major Initiatives

Public Safety

Public safety remains a major priority for Savannah. During 2003, the City of Savannah Police Department and the Chatham County Police Department were merged to form the Metropolitan Police Department. The merged department will provide a full range of joint police services to the City as well as residents of unincorporated Chatham County. This change resulted from the desire of both the City and the County to reduce crime, improve police responsiveness and visibility, facilitate more effective criminal investigations and improve the overall criminal justice system. During 2004, the process to fully integrate the departments will continue with a full integration deadline of January 1, 2005. Once complete, the fully integrated department will enjoy efficiencies that arise from eliminating organizational redundancies such as duplicate department functions.

Another area of concern is traffic safety, especially high accident rates at identified locations. In an effort to stem the high level of accidents and red light violations occurring in certain congested areas, the City installed its first red light camera enforcement system in September of 2003. Testing for the system was completed during the fourth quarter of 2003 and it was placed into full service for 2004. Other cities implementing similar systems have experienced short and long-term declines in serious accidents at intersections outfitted with the red light camera enforcement system. Initial data gathered by the City indicate that the red light camera enforcement system has already reduced the occurrence of minor accidents at the outfitted intersection. Once the success or failure of this pilot program is determined, the City may look to install the system in other violation prone areas.

Savannah Fire and Emergency Services has undergone a very rigorous review by the Insurance Services Office, which rated Savannah as a Class 2 organization. This outstanding rating was achieved by only 306 fire departments nationally. Fire response capability, communications, and water service received high marks because of firefighter and command training and readiness, and because of excellent water resources. Savannah Fire and Emergency Services has also expanded into the newly annexed area of Sweetwater/Bradley. A temporary station has been established to ensure adequate response while the 2004 budget contains appropriations for additional firefighters and a permanent facility for this area.

Neighborhood Improvements

The City recognizes that remarkable improvements in neighborhood quality can be achieved through improved public safety, resident engagement, blight eradication, and increased investment by property owners, both existing owners and new owners. The City continues to invest in infrastructure, services, housing, and human resources to improve the condition of neighborhoods by reducing poverty, increasing home ownership, and expanding the availability of affordable housing.

During 2004, the City will direct the bulk of its housing resources toward planned, targeted, redevelopment initiatives that include opportunities for infill construction, home ownership, home improvements for existing residents and rental property improvements and development. Throughout 2004, the City will focus its attention on the area of West Savannah and the Benjamin Van Clark neighborhood. Over \$7 million has been earmarked for infrastructure improvements in West Savannah over the next five years. In the Benjamin Van Clark neighborhood the City will continue its earlier efforts to redevelop with new housing units becoming available within twelve months. Assistance is also being offered to encourage infill housing and home repair throughout the neighborhood. Grants to Community-Based Development Organizations have also been awarded to implement neighborhood improvement projects. These grants provide for ongoing maintenance of 47 lots and 25 senior/disabled properties and other neighborhood improvement activities.

In past years, the City has been active in addressing housing decline and decay as measured by the number of vacant, dilapidated and substandard housing. An additional concern is increasing the rate of home ownership. The City continues to implement programs aimed at providing housing opportunities for its citizens, revitalizing neighborhoods, and improving the quality of life. Such assistance consists of first-time home ownership

programs, support for new in-fill construction, and construction/rehabilitation of affordable housing. The City also continues its work with partnerships, private investors, and home owners in its neighborhood revitalization efforts to accomplish these goals.

Internal Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Internal Audit

The internal audit function is the responsibility of the Auditing Department. This department is organized separately from, and operates independently of, the Finance Department. The Auditing Director reports directly to the Assistant City Manager for Management Services and to the City Manager. The Auditing Department operates a full program of routine and special internal audits.

Single Audit

As a recipient of federal and state assistance, the City also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's Single Audit, described earlier, tests are made to determine the adequacy of the internal controls, including those related to federal award programs, and to determine that the City has complied with applicable laws and regulations. The results of the City's Single Audit for the year ended December 31, 2002 provided no instances of material weaknesses in internal control or significant violations of applicable laws and regulations. It is expected that when the Single Audit for the year ended December 31, 2003 is completed, it will have the same result.

Budgeting Controls

The City also maintains budgetary controls to ensure compliance with legal provisions. Annual budgets are adopted for the General Fund, all Special Revenue Funds and all Debt Service Funds. Project length budgets are adopted for the Capital Projects Funds.

Although the level at which expenditures may not legally exceed appropriations is the bureau, budgetary control is maintained at the line item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. This procedure affords greater administrative control in the accounting system.

Cash Management

Cash temporarily idle during the year was invested in the State of Georgia Local Government Investment Pool, Certificates of Deposit, and obligations of the United States and its agencies. Total amount of interest earned by all Funds during 2003 was \$2,406,851 (excluding \$5,737,490 in interest and dividends earned by the Pension Trust Funds and Resource Recovery Fund). By comparison 2002 earnings were \$4,295,941. The decrease was due to a decline in market yields for short term investments available in 2003 compared to 2002.

The cash management program utilizing zero-balance checking accounts to automatically concentrate available cash into a single pooled account continued in 2003. All available cash is invested and earning interest at all times. The average yield on the City's idle cash portfolio in 2003 was 1.22% compared to 2.25% in 2002.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized. Most of the City's investments, including investments of the Pension Trust Fund, are classified in the category of the lowest credit risk as defined by the Governmental Accounting Standards Board. Repurchase agreements are classified in the second category of investment risk. The City's investment in the State of Georgia Local Government Investment Pool and the Pension Board's real estate and money market accounts are not classified for investment risk, in accordance with generally accepted accounting principles.

Risk Management

The City started its Risk Management program in 1976. The program is designed to accumulate resources for the payment of claims - medical, judgments and losses, automobile, worker's compensation, unemployment compensation, and fire and contents. The City uses risk control techniques to minimize losses and expenses of the program. Insurance policy coverage is currently maintained for disability insurance, property losses in excess of \$50,000, and "stop-loss" policies covering the medical employee benefit plan and worker's compensation.

The City's Risk Management Fund shows total net liability of \$4,880,631 as of December 31, 2003. As required under generally accepted accounting principles, the City has accrued worker's compensation claims totaling \$6,955,074 and medical claims totaling \$1,546,751. The City continues to actively manage safety issues in the workplace.

Pension and Other Post-employment Benefits

The City of Savannah maintains a pension plan to provide retirement and disability benefits for all full-time general and uniformed personnel of the City. Each year, an independent actuary engaged by the Pension Board calculates the amount of the annual contribution each plan employer must make to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. Each year the City fully funds its annual required contribution to the plan, and the City's Statement of Net Assets shows a net pension asset related to excess contributions to the plan. More information about the City's pension plan is disclosed in the Notes to the Financial Statement Note 4 – Pension Plans.

The City of Savannah also provides post-employment health benefits for its retirees and their dependents. During 2003, there were 1,077 retirees and beneficiaries receiving health care benefits, which are financed on a pay-as-you-go basis. GAAP do not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Other Information

Independent Audit

The City Charter and State regulations require an annual audit of the financial records of the City by independent certified public accountant selected by the City Council. The accounting firm of Karp, Ronning, & Tindol was selected to perform the audit. In addition to meeting the requirements set forth in the City Charter and State regulations, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996, and related OMB Circular A-133. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit will be issued later in 2004.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended December 31, 2002. To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA for consideration.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for the 2003 Service Program and Budget document. To qualify for the Distinguished Budget Presentation Award, the City's budget document must be proficient in several categories including policy documentation, financial planning, and organization.

Acknowledgments

The preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Finance Department, the Auditing Department, the Revenue Department, and the Research and Budget Department, as well as the independent auditors. We express appreciation to all staff members who contributed to its preparation.

In summary, the financial condition of the City entity is favorable. Our diversity of revenue sources, resistance to recessionary downturns, growing economic base, and professional conservative financial management with a strong propensity for planning, provide a firm foundation for maintaining our strong financial footing into the future.

Respectfully submitted,



Michael B. Brown
City Manager



Richard M. Evans
Finance Director

**CITY OF SAVANNAH, GEORGIA
PRINCIPAL OFFICIALS
2003**

ELECTED OFFICIALS

MAYOR

Floyd Adams, Jr.

ALDERMEN

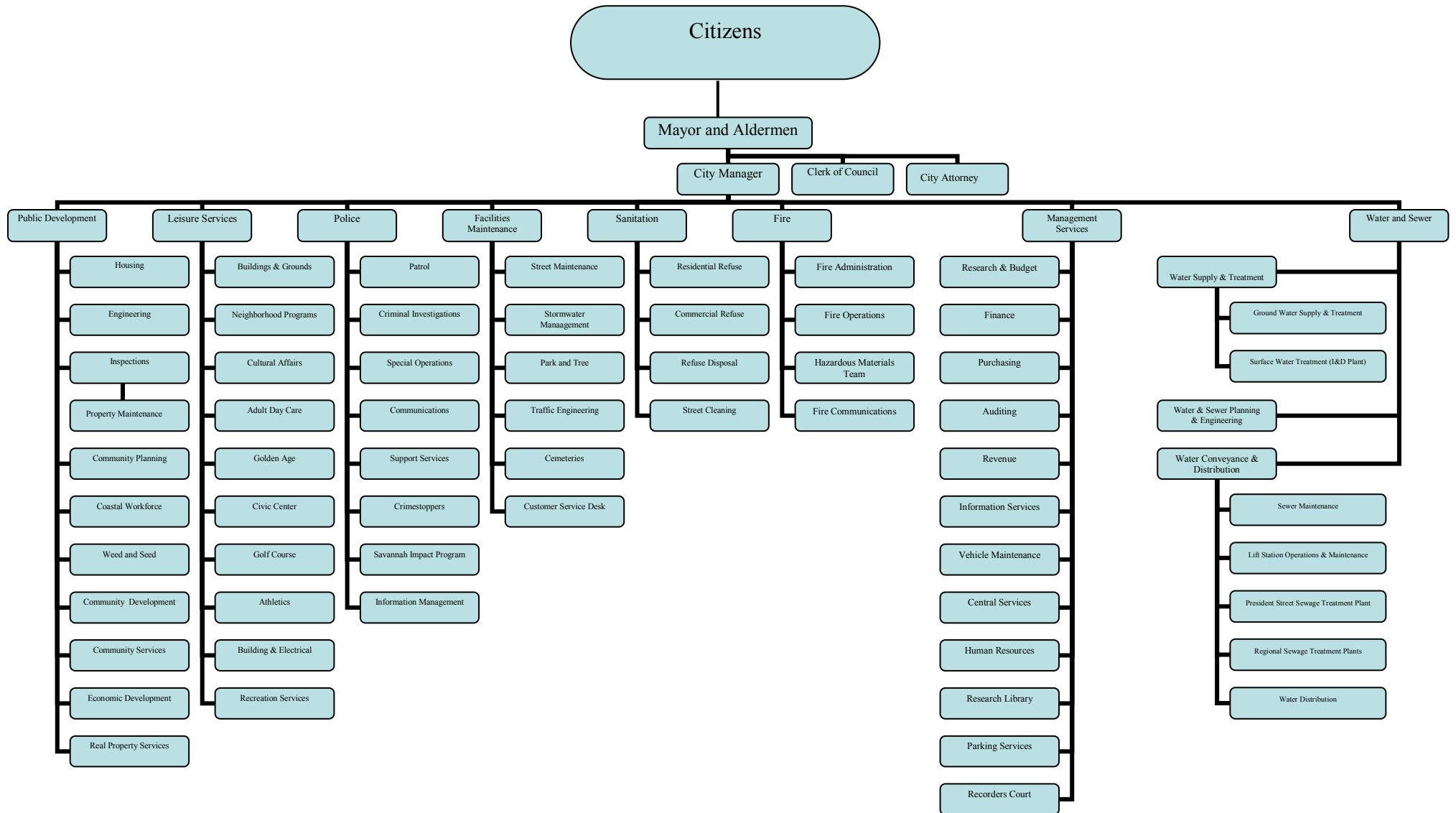
Pete A. Liakakis
David Jones
Ellis P. Cook
Clifton Jones, Jr.

Edna B. Jackson
Gwendolyn P. Goodman
Courtney S. Flexon
Tony Thomas

OTHER OFFICIALS

Michael B. Brown.....	City Manager
Christopher Morrill	Assistant City Manager
Israel G. Small.....	Assistant City Manager
Richard M. Evans	Finance Director
David F. Maxwell	Assistant Finance Director
Loretta Robinson, CIA	Auditing Director

City of Savannah, Georgia Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Savannah,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

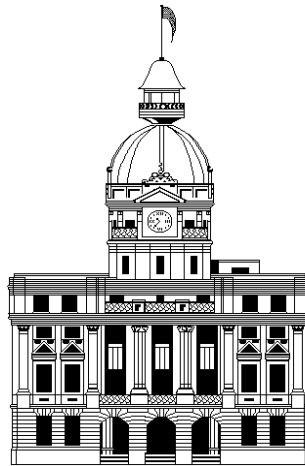


A handwritten signature in black ink, reading "Edward Haney".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director



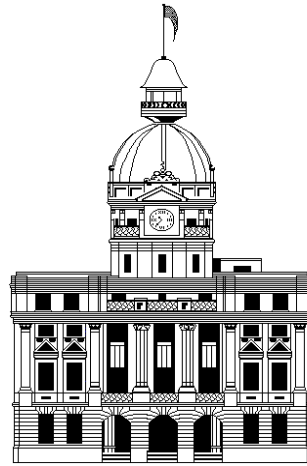
FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS



KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

123 ABERCORN STREET
SAVANNAH, GEORGIA 31401

(912) 232-0475

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Savannah, Georgia:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Savannah, Georgia, (City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Required Supplementary Information

The Management's Discussion and Analysis and the required supplementary information other than Management's Discussion and Analysis beginning on page 3 and 63, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Combining Fund Financial Statements and Schedules and Other Supplementary Information

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information listed in the table of contents as Combining Fund Financial Statements and Schedules and Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Introductory and Statistical Sections

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Karp, Ronning & Tindal, P.C.

March 5, 2004

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) section offers readers of the City of Savannah's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found on pages i - vii of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2003 by \$577,837,362 (net assets). Of this amount, \$166,275,471 is unrestricted net assets.
- The government's total net assets increased by \$23,577,467 during 2003. Approximately 79% of this increase is attributable to governmental activities - operating and capital grants/contributions. The remaining 21% is attributable to business-type activities, primarily the water and sewer utility.
- As of the close of 2003, the City's governmental funds reported combined ending fund balances of \$99,804,064, an increase of \$8,326,697 in comparison with the prior year. Over 85% of this increase is attributable to the receipt of capital grants and contributions which are earmarked for capital project spending in future years.
- The unreserved fund balance for the general fund at the end of 2003 was \$16,168,705 which was 14.2 percent of total general fund expenditures and transfers-out for that year. The unreserved general fund balance at the end of 2002 was \$14,982,231.
- The City's total long term liabilities experienced a net increase of \$11,603,317 during the 2003 fiscal year. This increase was principally due to increased workers compensation liability and issuance of new debt for major construction projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The "government-wide financial statements" are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The "statement of net assets" presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The "statement of activities" presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, fire, facilities maintenance (i.e. public works type activities), leisure services, social and cultural activities, and public development. The business-type activities of the City include a water and sewer utility, sanitation (i.e. solid waste collection and disposal), resource recovery (i.e. solid waste incineration with energy recovery), civic center, parking services, and golf course.

The Resource Recovery Development Authority for the City of Savannah, although legally separate, functions for all practical purposes as a component of the City, and therefore has been included as an integral part of the primary government. See the Notes to the Financial Statements Note 1 - Summary of Significant Accounting Policies (A) Reporting Entity for a discussion of other entities which are not considered part of the primary government.

The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund financial statements. A “fund” is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, community development fund, capital improvement fund, and drainage improvement fund which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general fund and community development fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 16 -19 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility, sanitation activities, resource recovery, parking services, civic center, and golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for a revolving fund (which includes vehicle maintenance, information services, engineering, real property services) and a risk management fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility, sanitation, and resource recovery, each of which are considered to be major funds of the City. Data from the other three enterprise funds (which are non-major funds) are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 - 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 23 - 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 65 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees, and budgetary comparisons for the general fund and the community development fund. Required supplementary information can be found on pages 66 to 71 of this report.

The "combining statements" referred to earlier in connection with non-major governmental and enterprise funds, and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 72 - 96 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$577,837,362 at the close of the most recent fiscal year. The following table provides a comparative summary of the City's net assets for 2003 and 2002:

City of Savannah - Net Assets (\$000)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$152,888	\$142,148	\$164,394	\$150,881	\$317,282	\$293,029
Capital assets	217,409	197,255	270,572	269,145	487,981	466,400
Total assets	<u>370,297</u>	<u>339,403</u>	<u>434,966</u>	<u>420,026</u>	<u>805,263</u>	<u>759,429</u>
Long-term liabilities outstanding	46,261	45,127	168,708	158,239	214,969	203,366
Other liabilities	8,292	6,339	4,165	4,626	12,457	10,965
Total liabilities	<u>54,553</u>	<u>51,466</u>	<u>172,873</u>	<u>162,865</u>	<u>227,426</u>	<u>214,331</u>
Net assets:						
Invested in capital assets, net of related debt	188,766	165,185	160,949	151,958	349,715	317,143
Restricted	61,666	55,139	180	1,387	61,846	56,526
Unrestricted	65,312	67,613	100,964	103,816	166,276	171,429
Total net assets	<u>315,744</u>	<u>287,937</u>	<u>262,093</u>	<u>257,161</u>	<u>577,837</u>	<u>545,098</u>
Total liabilities and net assets	<u>\$370,297</u>	<u>\$339,403</u>	<u>\$434,966</u>	<u>\$420,026</u>	<u>\$805,263</u>	<u>\$759,429</u>

The largest portion of the City's net assets (60.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (11 percent or \$61,847,137) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$166,275,471) may be used to meet the government's ongoing obligations to citizens and creditors. Much of this unrestricted balance however is earmarked (although not legally restricted) for future capital projects.

At the end of the 2003 fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$23.6 million during the current fiscal year. Over three-quarters of this increase is attributable to governmental activities due to operating and capital grants/contributions received in 2003 for use to fund capital projects in future years. The remaining increase is attributable to business-type activities, primarily the water and sewer utility. This increase is also earmarked for funding capital projects for the water and sewer utility.

The following table summarizes changes in net assets for the year ended December 31, 2003 and 2002:

City of Savannah - Changes in Net Assets (\$000)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$16,318	\$12,759	\$89,982	\$87,906	\$106,300	\$100,665
Operating grants and contributions	15,808	16,024	35	41	15,843	16,065
Capital grants and contributions	18,802	21,842			18,802	21,842
General revenues:						
Property taxes	37,570	35,117			37,570	35,117
General sales taxes	31,066	36,008			31,066	36,008
Other taxes	32,117	29,393		875	32,117	30,268
Grants and contributions not restricted as to use	1,994	2,000	2,372	3,196	4,366	5,196
Other	3,254	3,169	1,287	2,374	4,541	5,543
Total revenues	<u>156,929</u>	<u>156,312</u>	<u>93,676</u>	<u>94,392</u>	<u>250,605</u>	<u>250,704</u>
Expenses (net of indirect costs):						
General administration and management	7,823	6,467			7,823	6,467
Facilities Maintenance	25,169	23,785			25,169	23,785
Public safety	52,663	48,347			52,663	48,347
Leisure services, social, and cultural	15,550	14,460			15,550	14,460
Public development	4,324	4,028			4,324	4,028
Community development and workforce training	17,796	17,735			17,796	17,735
Other governmental services	11,339	9,573			11,339	9,573
Interest on long-term debt and capital leases	1,519	1,736			1,519	1,736
Water and sewer			40,608	39,614	40,608	39,614
Sanitation and solid waste disposal			42,955	36,797	42,955	36,797
Parking services			4,449	4,294	4,449	4,294
Civic center and golf course			3,098	3,051	3,098	3,051
Total expenses	<u>136,183</u>	<u>126,131</u>	<u>91,110</u>	<u>83,756</u>	<u>227,293</u>	<u>209,887</u>

City of Savannah - Changes in Net Assets (\$000) - continued

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Increase in net assets before contributions and transfers	20,746	30,181	2,566	10,636	23,312	40,817
Contributions	266	221			266	221
Transfers	(2,366)	(1,703)	2,366	1,703		
Increase in net assets	18,646	28,699	4,932	12,339	23,578	41,038
Net assets - January 1	287,937	259,238	257,161	244,822	545,098	504,060
Net assets restatement amount	9,161				9,161	
Net assets - December 31	<u>\$315,744</u>	<u>\$287,937</u>	<u>\$262,093</u>	<u>\$257,161</u>	<u>\$577,837</u>	<u>\$545,098</u>

Governmental activities. Governmental activities increased the City's net assets by \$18,645,843, thereby accounting for 79 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Capital grants and contributions were recognized in 2003 in the amount of \$18,802,039. Much of this revenue was spent for acquiring capital assets or is earmarked for acquisition of capital assets in future years.
- Property taxes increased by \$2,452,478 (7.0 percent) during the year. Most of this increase is the product of a new delinquent tax collection program fully implemented during 2003.
- General sales taxes for 2003 are lower than the prior year by \$4,942,037 (14 percent). This decrease is due to two factors. The first, and the major factor was a change in accounting for revenue recognition implemented during year 2002 which resulted in a single year increase in general sales tax revenues. The second factor is the new Local Option Sales Tax distribution formula, which was negotiated between the municipalities and Chatham County during 2002 and became effective in 2003. The sales tax distribution for the City decreased under the new agreement from 68.73% to 67.26%.
- Unrestricted investment earnings for 2003 were \$802,063 less than the prior year due to low investment yields available for short term idle cash investment during the year.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Overall governmental activity expenses increased by \$10,052,350 (7.9 percent).

Business-type activities. Business-type activities increased the City's net assets by \$4,931,624, accounting for 21 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 2.4 percent. Of the increase, \$1.6 million is attributable to water and sewer activities while \$533 thousand is attributable to resource recovery.
- The resource recovery service charges are driven by actual net costs. The increased costs for this program in 2003 were the result of contract

- costs paid by the City to Montenay Savannah for resource recovery plant operations.
- Investment earnings decreased by \$1,088,936 for business-type activities because lower investment yields available in the market.

Overall, expenses for business-type activities increased in 2003 by 9.0 percent. This was the result of lower expenses for the golf course (down 9.3%) and increased expenses in each of the other business-type activities. The increases in expenses for Sanitation was the largest at \$5.6 million. Most of this increase can be attributed to increases in closure and post closure care costs, which are a function of landfill usage. The other business-type activities (water and sewer, parking facilities, civic center and resource recovery) experienced increases in line with inflation.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

Government funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2003 fiscal year, the City's governmental funds reported combined ending fund balances of \$99,804,064, an increase of \$8,326,697 in comparison with the prior year. Approximately 46% of the fund balance (\$46,039,929) is classified as unreserved. Of this total amount, only \$16,168,705 is available for spending in future years without restrictions. Other unrestricted portions of fund balance are also available for spending in future years but are earmarked (although not legally restricted) for capital projects (\$28,459,929), debt service (\$1,375,453), and public safety purposes (\$35,842). The remainder of the fund balance is reserved to indicate that it is not available for future spending because it has already been committed to: 1) liquidate contracts and purchase orders of prior periods (\$9,056,733), 2) pay for authorized capital projects as specified in special purpose sales tax referenda (\$40,218,783), 3) generate income to pay for the perpetual care of the municipal cemeteries (\$3,520,921), or 4) for a variety of other restricted purposes (\$967,698).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$16,168,705. As a measure of the general fund's liquidity, it is be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 14.2% of total general fund expenditures plus transfers-out.

The fund balance of the City's general fund increased by \$894,303 during the current fiscal year. Key factors in this growth are as follows:

- Property tax revenues increased by \$3.4 million (9.63%) over the prior year. As mentioned earlier, this increase was due to a new delinquent tax collection program fully implemented during 2003.
- Penalties and interest on delinquent taxes increased by \$490 thousand over the prior year. As mentioned earlier, this increase was due to a new delinquent tax collection program fully implemented during 2003. This program not only focused on collecting delinquent taxes, but also focused on collecting the penalties and interest associated with the overdue property taxes.
- General sales tax revenues decreased \$2.2 million (6.6%) over the prior year. This decrease is due to two factors. The first, and major factor was a change in accounting for revenue recognition implemented during year 2002 which resulted in a single year increase in general sales tax

revenues. The second factor is the new Local Option Sales Tax distribution formula, which was negotiated between the municipalities and Chatham County during 2002 and became effective in 2003. The sales tax distribution for the City decreased under the new agreement from 68.73% to 67.26%.

Overall total expenditures (and transfers out) of the general fund increased \$3,428,894 (3.1%) for 2003 compared to the prior year. Increases in general fund expenditures reflect normal service demand changes and inflation.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$82,194,902 which was down from the prior year by \$2,804,446 (3.4%). These assets are earmarked (but not legally restricted) for capital improvements needed for the water and sewer system in future years. Unrestricted sanitation fund net assets at year end were \$5,388,481, a decrease from 2002 of \$1,310,695 (19.5%). This decrease in unrestricted net assets resulted from increased liabilities associated with depreciation and closure-post closure care costs accrued for the City's landfill. Unrestricted net assets for the non-major enterprise funds were \$13,375,348 which is \$1,261,360 (10.4%) higher than the prior year.

General Fund Budgetary Highlights

The difference between the original budget appropriations and the final amended budget appropriation for expenditures and transfers reflects an increase of \$3,807,098 which is about 3%. The major budget change was an increase in the appropriation for transfers to the capital improvement fund, which was supported by higher revenues than originally estimated.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2003, amounted to \$487,981,688 (net of accumulated depreciation). The investment in capital assets includes land; plants and buildings; improvements other than buildings; machinery, equipment and fixtures; streets and drainage; and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$21,582,360 (a \$20,154,540 increase for governmental activities and a \$1,427,820 increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Various governmental building capital asset projects with a total value of \$567,802 were completed during the year. The total value of governmental capital assets of all types still under construction at year end was \$75,879,457.
- A variety of street and drainage construction projects with a total value of \$1,931,423 were completed during the year.
- Various business-type plant capital asset projects with a total value of \$11,940,941 were completed during the year. The total value of business-type capital assets of all types still under construction at year end was \$27,036,338.

The following table summarizes the City's governmental activity and business-type activity capital assets by major category as of the end of 2003 and 2002:

City of Savannah - Capital Assets (\$000)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$14,235	\$3,186	\$5,752	\$5,120	\$19,987	\$8,306
Plants and buildings	27,147	26,579	329,577	317,636	356,724	344,215
Improvements other than buildings	23,262	22,599	48,252	48,123	71,514	70,722
Machinery, equipment, and fixtures	53,787	53,986	22,594	22,135	76,381	76,121
Streets and drainage	145,499	143,568			145,499	143,568
Construction in progress	75,879	60,389	27,036	25,126	102,915	85,515
Other	1,006	1,006	712	713	1,718	1,719
Less accumulated depreciation	(123,406)	(114,058)	(163,351)	(149,709)	(286,757)	(263,767)
Total	<u>\$217,409</u>	<u>\$197,255</u>	<u>\$270,572</u>	<u>\$269,144</u>	<u>\$487,981</u>	<u>\$466,399</u>

Additional information on the City's capital assets can be found in Notes to the Financial Statements Note 5 - Capital Assets on pages 42 - 45 of this report.

Long-term debt. At the end of year 2003, the City had total bonded debt (excluding special assessment debt) outstanding of \$123,358,920 (net of unamortized discounts). In addition to bonded debt, the City also had outstanding notes of \$20,843,294, and contractual obligations that secured bonds issued by certain public authorities (which are not part of the City entity) totaling \$41,603,438. All three types of debt obligations totaled \$185,805,652. Of this amount, \$43,833,294 comprises debt backed by the full faith and credit of the City and \$141,972,358 represents bonds secured by specified revenue sources.

During 2003, the City issued new debt to fund water and sewer capital projects, a new downtown parking garage, and expansion of the City landfill. In connection with the issuance of bonds to fund these new money requirements, the City determined that economic conditions were favorable for refinancing debt associated with several business-type activities. These refinancing activities allow the City to reduce debt service expenditures by taking advantage of more favorable interest rates. The net present value of savings achieved by these refinancings was slightly more than \$5 million.

The following table summarizes outstanding debt of the City as of the end of 2003 and 2002:

City of Savannah - Outstanding Debt (\$000)*
(General obligation bonds, notes, revenue bonds, and contractual obligations)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$1,700	\$2,325			\$1,700	\$2,325
Revenue bonds			\$121,659	\$103,450	121,659	103,450
Contractual obligations	21,290	24,325	20,313	15,440	41,603	39,765
Notes	1,855	1,955	18,988	34,116	20,843	36,071
Total	<u>\$24,845</u>	<u>\$28,605</u>	<u>\$160,960</u>	<u>\$153,006</u>	<u>\$185,805</u>	<u>\$181,611</u>

* Excluding special assessment debt.

The City's total debt increased by \$4,194,652 (2.3%) during 2003. This small increase was due to additional bond issuances for major construction projects.

The City's general obligation credit rating is "AA" by Standard & Poor's, and "Aa3" by Moody's. The credit rating assigned to water and sewer revenue debt of the City is "AA+" by Standard & Poor's, and "Aa3" by Moody's.

State statutes limit the amount of general obligation bonded debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$302,785,111, which is significantly in excess of the City's outstanding general obligation bonded debt of \$1,700,000.

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements Note 6 - Long-Term Liabilities on pages 46 - 57 of this report.

Economic Factors and Next Year's Budgets and Rates

- The economy of Chatham County and the City remains healthy in 2003. The unemployment rate for Chatham County in December 2003 was 4.1% compared to the Georgia state rate of 4.7%, and the unemployment rate for the United State as a whole of 6.0%
- Annexations completed in prior years continue to bring new areas of development into the City. This was reflected by building permit revenues which in 2003 were at the highest level in recent years.
- Assessed taxable values for property taxes increased in 2003, and have also increased in each of that past five years. The average annual increase in assessed values since 1998 has been 6.9%.
- In spite of a downturn in tourism nationally, Savannah's tourism market has been resilient. With over six million visitors each year, Savannah is the most popular tourist destination in the State of Georgia. Revenues of the City produced primarily by the tourism industry, including hotel/motel tax and automobile rental tax, remain strong.
- During 2004, the City will be host to the international G-8 summit, which will bring thousands of additional visitors to the City. This major political

event will not only showcase the City but bring both fiscal and public safety challenges for city government.

All of these factors were considered in preparing the City of Savannah's budget for the 2004 fiscal year. The 2004 adopted budget is balanced with current revenues covering current expenditures. No draw on the fund balance is planned. The property tax millage rate tentatively set in the 2004 budget is 13.3 mills, unchanged from the 2003 rate.

Both the sewer rates and sanitation rates were increased for the 2004 budget year. The combined water and sewer bill for a typical residential customer will be only slightly higher in 2004. The additional sewer fee revenue will be used to cover anticipated inflation related cost increases in sewer utility operating expenses. The increase for sanitation rates for typical residential customer is \$1.00 per month; this represents a 4.5% increase. The sanitation fee increase was needed to fund anticipated increased operating costs and to continue to provide for partial funding for a landfill improvement scheduled for 2004 or 2005.

Requests for Information

This financial report is designed to provide a general overview of the City of Savannah's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Savannah, Post Office Box 1027, Savannah, Georgia 31402.

**CITY OF SAVANNAH
STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and investments	\$ 72,140,439	\$ 99,170,517	\$ 171,310,956
Receivables (net)	17,567,733	9,148,158	26,715,891
Internal balances	(106,400)	106,400	
Inventories	534,114	47,406	581,520
Prepaid items	546,958		546,958
Restricted assets:			
Cash and investments	47,718,710	25,398,929	73,117,639
Accounts receivable	491,091	87,486	578,577
Net pension asset	61,601		61,601
Notes receivable, due within one year	474,244		474,244
Notes receivable, long term	13,459,253		13,459,253
Notes receivable:			
Due within one year		6,765,000	6,765,000
Due in more than one year		23,670,000	23,670,000
Capital assets:			
Land and construction in progress	90,114,827	32,787,943	122,902,770
Other capital assets, net of depreciation	127,294,396	237,784,522	365,078,918
Total assets	<u>\$ 370,296,966</u>	<u>\$ 434,966,361</u>	<u>\$ 805,263,327</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 6,052,687	\$ 1,040,986	\$ 7,093,673
Interest payable	456,883	707,908	1,164,791
Payable from restricted assets:			
Accounts payable		96,745	96,745
Deposits	1,725,666	1,744,100	3,469,766
Interest payable	56,482	168,743	225,225
Current portion of debt payable		406,250	406,250
Long-term liabilities:			
Due within one year	9,335,299	15,685,571	25,020,870
Due in more than one year	36,925,818	153,022,827	189,948,645
Total liabilities	<u>54,552,835</u>	<u>172,873,130</u>	<u>227,425,965</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	188,765,536	160,949,218	349,714,754
Restricted for:			
Sales Tax Capital projects	40,218,783		40,218,783
Community Development projects	15,622,330		15,622,330
HUD Section 108 projects	506,068		506,068
Nonexpendable Perpetual Care	3,520,921		3,520,921
Debt service	331,152	180,393	511,545
Wireless communications	338,886		338,886
Other grants	1,128,604		1,128,604
Unrestricted	65,311,851	100,963,620	166,275,471
Total net assets	<u>315,744,131</u>	<u>262,093,231</u>	<u>577,837,362</u>
Total liabilities and net assets	<u>\$ 370,296,966</u>	<u>\$ 434,966,361</u>	<u>\$ 805,263,327</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SAVANNAH, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2003**

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT COSTS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
General administration	\$ 2,319,366					\$ (2,319,366)		\$ (2,319,366)
Management and financial services	8,970,366	\$ (3,466,954)	\$ 2,549,278			(2,954,134)		(2,954,134)
Facilities maintenance	25,169,232		395,126		\$ 18,203,570	(6,570,536)		(6,570,536)
Police	35,257,934	96,609	2,367,818	\$ 114,810		(32,871,915)		(32,871,915)
Recorder's court	1,732,443		3,630,945			1,898,502		1,898,502
Fire	15,553,523	22,454	199,029			(15,376,948)		(15,376,948)
Leisure services	13,490,017		723,608	249,027	598,469	(11,918,913)		(11,918,913)
Social and cultural	2,060,670					(2,060,670)		(2,060,670)
Public development	4,323,826		2,007,062			(2,316,764)		(2,316,764)
Other governmental services	11,338,768		872,472			(10,466,296)		(10,466,296)
Grant program and administration	8,212,773	62,499	350,810	6,327,787		(1,596,675)		(1,596,675)
Community development program and administration	9,280,267	240,444	3,221,596	9,116,584		2,817,469		2,817,469
Interest on long-term debt	1,337,237					(1,337,237)		(1,337,237)
Interest on capital leases	181,501					(181,501)		(181,501)
Total governmental activities	<u>139,227,923</u>	<u>(3,044,948)</u>	<u>16,317,744</u>	<u>15,808,208</u>	<u>18,802,039</u>	<u>(85,254,984)</u>		<u>(85,254,984)</u>
Business-type activities:								
Water and sewer	38,546,299	2,062,093	44,069,378	34,992			\$ 3,495,978	3,495,978
Sanitation	29,115,547	612,505	25,248,987				(4,479,065)	(4,479,065)
Parking facilities	4,159,525	289,236	6,016,665				1,567,904	1,567,904
Civic Center	2,799,595	81,114	1,243,294				(1,637,415)	(1,637,415)
Golf Course	217,361		175,750				(41,611)	(41,611)
Resource Recovery	13,227,082		13,228,222				1,140	1,140
Total business-type activities	<u>88,065,409</u>	<u>3,044,948</u>	<u>89,982,296</u>	<u>34,992</u>			<u>(1,093,069)</u>	<u>(1,093,069)</u>
Total	<u>\$ 227,293,332</u>	<u>\$ -</u>	<u>\$ 106,300,040</u>	<u>\$ 15,843,200</u>	<u>\$ 18,802,039</u>	<u>(85,254,984)</u>	<u>(1,093,069)</u>	<u>(86,348,053)</u>
General Revenues:								
Taxes:								
Property taxes						37,569,938		37,569,938
Intangible, transfer and franchise taxes						13,977,531		13,977,531
General sales taxes						31,065,826		31,065,826
Selective sales taxes						11,957,218		11,957,218
Business taxes						6,182,558		6,182,558
Penalties and interest on delinquent taxes						1,004,890		1,004,890
Grants and contributions not restricted to specific programs						1,994,214	2,371,445	4,365,659
Investment earnings, unrestricted						1,370,389	1,162,436	2,532,825
Miscellaneous revenue						878,731	124,772	1,003,503
Contributions to Cemetery Perpetual Care						265,572		265,572
Transfers						(2,366,040)	2,366,040	
Total general revenues and transfers						<u>103,900,827</u>	<u>6,024,693</u>	<u>109,925,520</u>
Change in net assets						18,645,843	4,931,624	23,577,467
Net assets, beginning						<u>297,098,288</u>	<u>257,161,607</u>	<u>554,259,895</u>
Net assets, ending						<u>\$ 315,744,131</u>	<u>\$ 262,093,231</u>	<u>\$ 577,837,362</u>

**CITY OF SAVANNAH
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	<u>GENERAL</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>CAPITAL IMPROVEMENT</u>	<u>DRAINAGE IMPROVEMENT</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Cash and investments	\$ 47,072,329		\$ 1,507,254	\$ 4,558,735	\$ 1,462,929	\$ 54,601,247
Receivables, net	10,036,941				661,189	10,698,130
Due from other funds	1,082,613		30,596,878			31,679,491
Due from other governments	25,714	2,972,475			1,138,585	4,136,774
Prepaid items	7,703					7,703
Restricted assets:						
Cash and investments	2,046,329	549	11,935,686	28,372,764	5,363,382	47,718,710
Special assessment receivable, net					208,408	208,408
Due from other governments		282,683				282,683
Notes receivable, long-term		13,486,931			446,567	13,933,498
Total assets	<u>\$ 60,271,629</u>	<u>\$ 16,742,638</u>	<u>\$ 44,039,818</u>	<u>\$ 32,931,499</u>	<u>\$ 9,281,060</u>	<u>\$ 163,266,644</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts payable	\$ 1,714,571	\$ 109	\$ 107,528		\$ 312,901	\$ 2,135,109
Accrued liabilities	1,566,546					1,566,546
Due to other funds	30,596,878	847,718			341,295	31,785,891
Due to other governments						
Payable from restricted assets:						
Escrow deposits	2,046,329	283,232				2,329,561
Contracts payable				\$ 802,965		802,965
Deferred revenue	7,378,742	15,611,579			1,852,187	24,842,508
Total liabilities	<u>43,303,066</u>	<u>16,742,638</u>	<u>107,528</u>	<u>802,965</u>	<u>2,506,383</u>	<u>63,462,580</u>
Fund balances:						
Reserved for:						
Encumbrances	799,858		4,161,059	3,934,351	161,465	9,056,733
Section 108 activities					506,068	506,068
Perpetual care					3,520,921	3,520,921
Debt service					122,744	122,744
Sales Tax Capital Projects			11,935,686	27,569,799	713,298	40,218,783
Wireless communication					338,886	338,886
Unreserved, reported in:						
General Fund	16,168,705					16,168,705
Special revenue funds					35,842	35,842
Debt service fund					1,375,453	1,375,453
Capital project funds			27,835,545	624,384		28,459,929
Total fund balances	<u>16,968,563</u>	<u>-</u>	<u>43,932,290</u>	<u>32,128,534</u>	<u>6,774,677</u>	<u>99,804,064</u>
Total liabilities and fund balances	<u>\$ 60,271,629</u>	<u>\$ 16,742,638</u>	<u>\$ 44,039,818</u>	<u>\$ 32,931,499</u>	<u>\$ 9,281,060</u>	<u>\$ 163,266,644</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SAVANNAH
RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

Amounts reported for governmental activities on the Statement of Net Assets (page 14) differs from the amount reported on the Balance Sheet for Governmental Funds because:

Total fund balances for Governmental Funds (page 16)	\$ 99,804,064
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	202,386,811
Additional assets shown in governmental activities that are not shown in the funds due to differences in revenue recognition criteria	2,789,703
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	24,842,508
Internal service funds are used by management to charge costs of fleet management, information services, engineering, real property services, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	19,679,040
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(33,757,995)</u>
Net assets of governmental activities (page 14)	<u>\$ 315,744,131</u>

**CITY OF SAVANNAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

	<u>GENERAL</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>CAPITAL IMPROVEMENT</u>	<u>DRAINAGE IMPROVEMENT</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:						
Property taxes	\$ 38,315,724					\$ 38,315,724
Intangible, transfer and franchise taxes	13,977,531					13,977,531
General sales tax	31,071,114					31,071,114
Selective sales taxes	2,841,046				\$ 9,116,172	11,957,218
Business taxes	6,182,558					6,182,558
Penalties and interest on delinquent taxes	1,004,890					1,004,890
Licenses and permits	1,354,965					1,354,965
Inspection fees	1,618,847					1,618,847
Intergovernmental revenue	2,328,946	\$ 9,116,584	\$ 1,206,349		8,338,483	20,990,362
Special purpose local option sales tax from Chatham County			3,290,353	\$ 14,199,920		17,490,273
Charges for services	3,030,700	1,234,948			2,386,450	6,652,098
Indirect cost allocations	4,126,020					4,126,020
Special assessments					252,032	252,032
Fines and forfeitures	3,391,098					3,391,098
Investment income	526,543	3,638	170,411	336,465	95,020	1,132,077
Miscellaneous revenue	958,798	139,296	29,492		321,813	1,449,399
Total revenues	110,728,780	10,494,466	4,696,605	14,536,385	20,509,970	160,966,206
EXPENDITURES:						
Current:						
General administration	1,886,794					1,886,794
Management and financial services	7,485,974					7,485,974
Facilities maintenance	18,609,794					18,609,794
Police	31,242,965				2,245,591	33,488,556
Recorder's court	1,626,901					1,626,901
Fire	14,620,858				336,864	14,957,722
Leisure services	11,417,364					11,417,364
Social and cultural	2,060,670					2,060,670
Public development	3,949,731					3,949,731
Other governmental services	7,636,355				3,895,284	11,531,639
Grant program and administration					8,660,188	8,660,188
Community development program and administration		11,060,989			312,072	11,373,061
Debt Service:						
Principal		100,000			3,790,170	3,890,170
Interest and fiscal charges		130,246			1,287,049	1,417,295
Capital outlay			6,891,359	9,569		6,900,928
Capital outlay - SPLOST funded			3,614,331	7,402,351		11,016,682
Total expenditures	100,537,406	11,291,235	10,505,690	7,411,920	20,527,218	150,273,469
Excess of revenues over (under) expenditures	10,191,374	(796,769)	(5,809,085)	7,124,465	(17,248)	10,692,737
OTHER FINANCING SOURCES (USES):						
Transfers in	4,211,686	796,769	7,542,584		3,812,566	16,363,605
Transfers out	(13,508,757)				(5,220,888)	(18,729,645)
Total other financing sources (uses)	(9,297,071)	796,769	7,542,584		(1,408,322)	(2,366,040)
Net change in fund balances	894,303	-	1,733,499	7,124,465	(1,425,570)	8,326,697
Fund balances, beginning of year	16,074,260		42,198,791	25,004,069	8,200,247	91,477,367
Fund balances, end of year	\$ 16,968,563	\$ -	\$ 43,932,290	\$ 32,128,534	\$ 6,774,677	\$ 99,804,064

The notes to the financial statements are an integral part of this statement.

**CITY OF SAVANNAH
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2003**

Amounts reported for governmental activities in the Statement of Activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 18)	\$ 8,326,697
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	12,302,796
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	102,241
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(738,828)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is net effect of these differences in the treatment of long-term debt and related items.	3,970,228
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(756,120)
Internal service funds are used by management to charge costs of fleet management, information services, engineering, real property services, and risk management to individual funds.	(4,999,675)
The net revenue of certain activities of internal service funds is reported with governmental activities.	438,504
Change in net assets of governmental activities (page 15)	<u>\$ 18,645,843</u>

**CITY OF SAVANNAH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2003**

	ENTERPRISE FUNDS					INTERNAL SERVICE FUNDS
	WATER AND SEWER	SANITATION	RESOURCE RECOVERY	OTHER ENTERPRISE FUNDS	TOTALS	
ASSETS						
Current assets:						
Cash and investments	\$ 76,604,558	\$ 8,935,670	\$ 341,622	\$ 13,288,667	\$ 99,170,517	\$ 17,539,192
Receivables, net	5,746,870	3,310,413	81,670	9,205	9,148,158	104,727
Due from other funds		318,925		106,400	425,325	
Current portion of notes receivable			6,765,000		6,765,000	439,256
Inventories	28,158			19,248	47,406	534,114
Total current assets	82,379,586	12,565,008	7,188,292	13,423,520	115,556,406	18,617,289
Noncurrent assets:						
Restricted assets:						
Cash and investments	5,937,910	12,573,504		6,887,515	25,398,929	
Accounts receivable				87,486	87,486	
Advances to other funds	143,768				143,768	
Capital assets:						
Land	855,928	1,910,772	1,592,559	1,392,346	5,751,605	
Plant, buildings, stations, reservoirs, etc	293,492,426	164,010		35,920,809	329,577,245	2,412,182
Improvements, other than buildings	34,545,739	10,648,339		3,058,361	48,252,439	
Machinery and equipment	3,434,041	17,453,219		1,706,513	22,593,773	40,622,449
Machinery and equipment under capital lease						3,963,424
Other capital assets				712,302	712,302	
Less accumulated depreciation	(124,963,792)	(11,521,743)		(26,865,702)	(163,351,237)	(32,424,714)
Construction in progress	23,565,419	1,063,587		2,407,332	27,036,338	449,071
Notes receivable - long term			23,670,000		23,670,000	
Total noncurrent assets	237,011,439	32,291,688	25,262,559	25,306,962	319,872,648	15,022,412
Total assets	\$ 319,391,025	\$ 44,856,696	\$ 32,450,851	\$ 38,730,482	\$ 435,429,054	\$ 33,639,701
LIABILITIES AND NET ASSETS						
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 773,357	\$ 173,160	\$ 17,808	\$ 76,661	\$ 1,040,986	\$ 917,810
Interest payable	130,257	473,019	81,670	22,962	707,908	5,786
Due to other funds			318,925		318,925	
Current portion of contractual obligations				1,580,000	1,580,000	
Current portion of notes and bonds payable	5,568,255	775,000	6,765,000		13,108,255	
Current portion of compensated absences	514,201	357,053		126,062	997,316	208,011
Current portion of claims and judgments payable						1,894,504
Current obligation under capital leases						1,690,263
Total current liabilities	6,986,070	1,778,232	7,183,403	1,805,685	17,753,390	4,716,374
Noncurrent liabilities:						
Payable from restricted assets:						
Accounts payable		312		96,433	96,745	
Customer deposits	1,525,387			218,713	1,744,100	
Interest payable	168,743				168,743	
Current portion of revenue bonds payable	406,250				406,250	
Advances from other funds				143,768	143,768	
Contractual obligations				18,733,437	18,733,437	
Notes payable	16,723,789				16,723,789	
Revenue bonds payable, net of discount	52,364,243	34,374,677	23,670,000		110,408,920	
Compensated absences	364,523	270,082		68,850	703,455	332,000
Accrued landfill closure costs		6,453,226			6,453,226	
Claims and judgments						6,639,122
Obligations under capital leases						2,273,161
Total noncurrent liabilities	71,552,935	41,098,297	23,670,000	19,261,201	155,582,433	9,244,283
Total liabilities	78,539,005	42,876,529	30,853,403	21,066,886	173,335,823	13,960,657
NET ASSETS						
Invested in capital assets, net of related debt	158,476,725	(3,408,314)	1,592,559	4,288,248	160,949,218	11,058,988
Restricted for:						
Sinking Fund	180,393				180,393	
Unrestricted	82,194,902	5,388,481	4,889	13,375,348	100,963,620	8,620,056
Total net assets	240,852,020	1,980,167	1,597,448	17,663,596	262,093,231	19,679,044
Total liabilities and net assets	\$ 319,391,025	\$ 44,856,696	\$ 32,450,851	\$ 38,730,482	\$ 435,429,054	\$ 33,639,701

CITY OF SAVANNAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2003

	ENTERPRISE FUNDS					
	WATER AND SEWER	SANITATION	RESOURCE RECOVERY	OTHER ENTERPRISE FUNDS	TOTALS	INTERNAL SERVICE FUNDS
OPERATING REVENUES:						
Metered sales	\$ 37,224,256				\$ 37,224,256	
Charges for services	6,738,048	\$ 25,209,980	\$ 12,123,401		44,071,429	\$ 12,818,836
Rental fees	86,938			\$ 7,121,923	7,208,861	
Recreation fees				313,786	313,786	
Risk management fees						19,603,103
Miscellaneous	48,552	39,007		88,173	175,732	
Total operating revenues	44,097,794	25,248,987	12,123,401	7,523,882	88,994,064	32,421,939
OPERATING EXPENSES:						
Personal services	11,593,422	6,764,533		2,974,992	21,332,947	
Contractual services	8,486,431	13,869,880	12,123,636	1,123,018	35,602,965	
Commodities	3,365,344	725,542		192,743	4,283,629	
Internal service	4,942,783	2,487,033		782,707	8,212,523	
Landfill closure and post closure care		1,845,996			1,845,996	
Depreciation	9,049,060	2,764,997		1,828,565	13,642,622	4,622,849
Central garage						3,965,895
Information services						3,058,534
Engineering						929,378
Real property services						307,470
Risk management						24,537,489
Total operating expenses	37,437,040	28,457,981	12,123,636	6,902,025	84,920,682	37,421,615
Operating Income (Loss)	6,660,754	(3,208,994)	(235)	621,857	4,073,382	(4,999,676)
NONOPERATING REVENUES (EXPENSES):						
Interest earned	1,011,536	57,397	1,104,821	148,682	2,322,436	273,152
Interest expense	(3,000,975)	(1,251,486)	(1,103,446)	(661,401)	(6,017,308)	(181,501)
Gain (loss) on disposal of assets						346,853
Arbitrage rebate		1,029		4,594	5,623	
Amortization	(170,379)	(19,615)			(189,994)	
Total nonoperating revenues (expenses)	(2,159,818)	(1,212,675)	1,375	(508,125)	(3,879,243)	438,504
Income (loss) before contributions and transfers	4,500,936	(4,421,669)	1,140	113,732	194,139	(4,561,172)
CAPITAL CONTRIBUTIONS	2,130,640	240,805			2,371,445	
TRANSFERS IN		919,008		1,447,032	2,366,040	
Change in net assets	6,631,576	(3,261,856)	1,140	1,560,764	4,931,624	(4,561,172)
Total net assets - beginning	234,220,444	5,242,023	1,596,308	16,102,832	257,161,607	24,240,216
Total net assets - ending	\$ 240,852,020	\$ 1,980,167	\$ 1,597,448	\$ 17,663,596	\$ 262,093,231	\$ 19,679,044

The notes to the financial statements are an integral part of this statement.

CITY OF SAVANNAH, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2003

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					INTERNAL SERVICE FUNDS
	WATER AND SEWER	SANITATION	RESOURCE RECOVERY	OTHER ENTERPRISE FUNDS	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 43,714,568	\$ 21,010,885	\$ 12,134,620	\$ 7,351,538	\$ 84,211,611	
Cash received from other funds for services	557,400	4,165,679		303,260	5,026,339	\$ 12,827,222
Customer deposits received	(582,462)			(3,812,662)	(4,395,124)	
Customer deposits returned	637,145			3,358,238	3,995,383	
Cash received for services and fees						19,503,103
Cash paid to suppliers	(11,743,322)	(14,485,051)	(12,117,382)	(1,239,211)	(39,584,966)	(2,578,253)
Cash paid to other funds for services	(4,973,806)	(2,487,033)	(44,614)	(782,707)	(8,288,160)	(920,387)
Cash paid to employees	(11,582,984)	(6,738,691)		(2,959,577)	(21,281,252)	(4,444,247)
Cash paid for supplies and insurance						(19,577,905)
Net cash provided (used) by operating activities	16,026,539	1,465,789	(27,376)	2,218,879	19,683,831	4,809,533
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:						
Repayment of advance to (from) other funds	70,000			(70,000)		
Bond proceeds used to refinance debt	38,408,850	6,375,948		12,355,105	57,139,903	
Issuance costs, premiums and discounts on issuance of bonds	(126,747)	305,450		144,571	323,274	
Prepayment premium	(514,301)				(514,301)	
Other nonoperating revenues	55,179				55,179	
Transfers in		919,008		1,340,632	2,259,640	
Net cash provided (used) by non capital financing activities	37,892,981	7,600,406		13,770,308	59,263,695	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from issuance of long-term debt						1,446,843
Principal payments received on note receivable			5,385,000		5,385,000	
Bond proceeds used to finance capital improvement projects	3,801,150	12,158,802		5,764,282	21,724,234	
Issuance costs, premiums and discounts on issuance of bonds	(522,803)	(411,650)		(325,673)	(1,260,126)	
Interest received			1,103,446	151	1,103,597	
Principal paid on long-term debt	(43,407,448)	(6,780,000)	(5,385,000)	(13,065,000)	(68,637,448)	(1,561,078)
Interest paid	(3,149,875)	(1,279,267)	(1,114,665)	(906,652)	(6,450,459)	(180,624)
Proceeds from sale of equipment						485,064
Acquisition and construction of capital assets	(11,122,081)	(461,101)		(1,443,466)	(13,026,648)	(3,349,474)
Net cash provided (used) by capital and related financing activities	(54,401,057)	3,226,784	(11,219)	(9,976,358)	(61,161,850)	(3,159,269)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	956,356	57,397	1,375	148,682	1,163,810	273,151
Net cash provided by investing activities	956,356	57,397	1,375	148,682	1,163,810	273,151
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	474,819	12,350,376	(37,220)	6,161,511	18,949,486	1,923,415
CASH AND CASH EQUIVALENTS, JANUARY 1 (INCLUDING RESTRICTED ACCOUNTS OF \$3,773,557 IN 2002)	82,067,649	9,158,798	378,842	14,014,671	105,619,960	15,615,777
CASH AND CASH EQUIVALENTS, DECEMBER 31 (INCLUDING RESTRICTED ACCOUNTS OF \$25,398,930 IN 2003)	\$ 82,542,468	\$ 21,509,174	\$ 341,622	\$ 20,176,182	\$ 124,569,446	\$ 17,539,192
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 6,660,754	\$ (3,208,994)	\$ (235)	\$ 621,857	\$ 4,073,382	(4,999,676)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	9,049,060	2,764,997		1,828,565	13,642,622	4,622,849
Noncash rental fees				(34,750)	(34,750)	
Change in assets and liabilities:						
(Increase) decrease in receivables	174,175	(72,423)	11,219	165,666	278,637	(91,614)
(Increase) decrease in prepaid items and inventories	(2,945)			(2,494)	(5,439)	(75,445)
Increase (decrease) in accounts and other payables	145,495	1,982,209	(38,360)	(359,965)	1,729,379	5,353,419
Net cash provided (used) by operating activities	\$ 16,026,539	\$ 1,465,789	\$ (27,376)	\$ 2,218,879	\$ 19,683,831	\$ 4,809,533

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

1. During the year, commercial developers and other funds of the City of Savannah, Georgia, contributed property, plant and equipment of \$2,130,640 to the Water and Sewer Fund. In accordance with GASB 33, amounts contributed by developers were recognized as non-operating revenues.
2. The Sanitation Fund received \$240,805 of property, plant and equipment from other funds of the City of Savannah, Georgia.
3. The Golf Course received \$34,750 of property, plant and equipment as rental income through an operating lease agreement.

**CITY OF SAVANNAH
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003**

	<u>PENSION TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,358,322	\$ 207,449
Accrued income	750,228	
Accounts receivable:		
From employer	18,366	
Investments, at fair market value:		
U.S. government obligations	22,858,683	
Corporate bonds	30,423,406	
Domestic stocks	102,997,182	
International stock mutual fund	18,463,455	
Real estate fund	<u>18,437,515</u>	
Total investments	<u>193,180,241</u>	<u>-</u>
Total assets	<u>199,307,157</u>	<u>\$ 207,449</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payable from restricted assets:		
Accounts payable	76,946	\$ 34,239
Employee benefits payable		63,397
Benefit plan surplus		<u>109,813</u>
Total liabilities	<u>76,946</u>	<u>\$ 207,449</u>
Net assets:		
Held in trust for:		
Employee pension benefits	<u>\$ 199,230,211</u>	

(See schedule of funding progress on page 68.)

**CITY OF SAVANNAH
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2003**

	<u>PENSION TRUST FUNDS</u>
ADDITIONS	
Contributions	
Employer	\$ 3,840,104
Plan members	<u>4,918,545</u>
Total contributions	<u>8,758,649</u>
Investment income	
Interest	2,850,135
Dividends	509,053
Real estate net income	1,273,481
Net appreciation (depreciation) in fair value of investments	<u>25,640,087</u>
Total investment income	30,272,756
Less investment expense	<u>460,988</u>
Net investment income (loss)	<u>29,811,768</u>
Total additions	<u>38,570,417</u>
DEDUCTIONS	
Benefits	7,647,331
Refunds of contributions	875,903
Administrative expense	<u>84,475</u>
Total deductions	<u>8,607,709</u>
Change in net assets	29,962,708
Net assets:	
Beginning of year - January 1	<u>169,267,503</u>
End of year - December 31	<u><u>\$ 199,230,211</u></u>

CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Savannah, incorporated in 1789, operates under a Council-Manager form of government. The City's major functions include police protection, fire protection, sanitation services, economic development programs, recreation programs, water and sewer services, and street, traffic and drainage maintenance.

The accompanying financial statements report on the financial activity for the City of Savannah, Georgia for the year ended December 31, 2003. They include all the activities controlled by the City Council of Savannah, Georgia. The financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) as applied to government units. This summary of the City of Savannah's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented herein, should be viewed as an integral part of the accompanying financial statements.

(A) Reporting Entity

In June, 1992, the Governmental Accounting Standards Board issued Statement No. 14, "The Financial Reporting Entity". In accordance with this Statement, the City herein presents those entities that comprise the primary government along with its component units, entities for which the City is considered to be financially accountable. The City's reporting entity consists of the City of Savannah and the Resource Recovery Development Authority.

Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with the data of the City of Savannah. The Resource Recovery Development Authority ("Authority") is a blended component unit of the City of Savannah. The Authority is controlled and managed by a board of five members appointed by the Mayor and Alderman of the City. The Authority provides services almost entirely to the City in that 97.36% of the Authority's operating revenue came from the City. Under the Resource Recovery Development Authorities Law, Chapter 63 of Title 36 of the Official Code of Georgia Annotated, the Authority is empowered to issue revenue bonds. The revenue bonds are secured by a Waste Disposal Contract between the City and the Authority. This contract constitutes a legal obligation of the City. The Authority has a December 31 year-end and is reported as a blended component unit as an enterprise fund. Complete financial statements for the Resource Recovery Development Authority may be obtained from the City.

Discretely presented component units, on the other hand, are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. They are reported in a separate column in the basic financial statements to emphasize that they are legally separate. The City has no discretely presented component units.

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Georgia Regional Development Center (RDC), and is required to pay annual dues thereto. During its year ended December 31, 2003, the City paid \$52,604 in such dues.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements may be obtained from:

Coastal Georgia Regional Development Center
P.O. Box 1917
Brunswick, GA 31521

The Downtown Savannah Authority (DSA) is composed of a board of six members selected by the City Council, and one non-voting member selected by the City's delegation in the Georgia General Assembly. The City's accountability for the DSA does not extend beyond making the appointments, and, accordingly, the DSA is not considered a part of the City entity for financial reporting purposes. The City has contractual obligations with the DSA relating to various bond issues which funded capital projects of the City. Under the contracts, the City is obligated to make payments sufficient to pay principal and interest on the bonds when due. These contractual obligations are described in Note 6 - Long-Term Liabilities.

The Housing Authority of Savannah, created by an act of the Georgia legislature, is not a part of the City's reporting entity. While the Mayor of Savannah appoints a voting majority of commissioners for the Housing Authority of Savannah, the commissioners can not be city or county employees or officers. Thus, the City can not impose its will on the Housing Authority. Nor does the City provide financial support to the Housing Authority as the Authority derives its revenues from federal funds and resident rents. During 2003, the City received payments in lieu of taxes of \$89,654 from the Housing Authority.

The Savannah Airport Commission was established to administer the improvement, maintenance and operation of the Savannah Airport and to provide services to airlines and airline-related businesses in the area. The commission is a municipal corporation created under the Savannah City Code and governed by five members who are appointed by the Mayor and Aldermen of the City of Savannah. The City has no other participation in the operation of the Commission. Accordingly, the commission has not been included in the reporting entity. A discussion of the City's conduit debt obligations in regards to the City of Savannah, Georgia Airport Refunding Bonds can be found in Note 17 – Conduit Debt Obligations.

(B) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus. However, in the fund financial statements, the measurement focus differs by fund types:

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present sources/increases (i.e., revenues and other financing sources) and uses/decreases (i.e., expenditures and other financing uses) of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- All proprietary funds utilize a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the balance sheet using this measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flow. Proprietary fund equity is classified as net assets. Proprietary Fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.
- All trust funds utilize the flow of economic resources measurement focus. Agency funds are not involved in the measurement of results of operations so no measurement focus is applied to agency funds.

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized as soon as they are earned, and expenses are recognized when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange occurs.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they become "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 30 days after year end and available to pay obligations of the current period. Revenues considered susceptible to accrual are sales taxes, property taxes, charges for services, grants, and investment income. In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient. Revenue from property taxes is usually not accrued since it is not collected soon enough after year-end to be used to pay liabilities of the current period. Expenditures, including capital outlay, are recognized in the accounting period in which the related fund liability is incurred, except for unmatured interest on general long-term debt and certain similar accrued obligations, which are recognized when due.

All proprietary and fiduciary funds are accounted for on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred or the economic asset used.

Differences exist between the governmental activities columns reported in the government-wide statements and the corresponding total columns reported in the fund financial statements. The differences are the result of the use of the two different measurement focuses between these statements.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As stated above, the government-wide statements present governmental activities on the economic resources measurement focus while the fund financial statements present governmental funds on the current financial resources measurement focus. Additional detailed information about the reconciling items can be found in Note 2 – Reconciliation of Government-wide and Fund Financial Statements.

(C) Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements – Fund financial statements reflect the activities of the City's individual funds. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City (General fund) or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City has elected to apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 in the government-wide financial statements and the fund financial statements for the proprietary funds, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The City also has the option of following subsequent private-sector guidance for its business-type activities and enterprise funds, subject to the same limitations. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effects of internal activity have been eliminated from the government-wide statements. Amounts charged through the City's indirect cost allocation plan are broken out in a separate column on the Statement of Activities. Where internal activity is representative of an interfund service provided and used, no elimination has been made. Internal activities have not been eliminated from the fund financial statements.

Program revenues are derived directly from a particular program or from parties outside the City's taxpayers or citizenry. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. All taxes are included in general revenues.

In proprietary funds, operating revenues and expenses result from the provision of goods and/or services as well as the production and delivery of goods and/or services. Nonoperating revenues and expenses would include all revenues and expenses related to capital and related financing and contributions, noncapital financing, taxes, or investment activities.

(D) Columnar Headings and Description of Funds

The City uses funds to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Funds shown in the basic financial statements are described below:

(1) Major Governmental Funds

The City's major governmental funds are the General Fund, the Community Development Fund, the Capital Improvements Fund, and the Drainage Improvement Fund.

(a) General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources not accounted for in other funds.

(b) Community Development Fund - The Community Development Fund accounts for revenues received from the Department of Housing and Urban Development under the Community Development Block Grant Program. This fund also accounts for revenues received from the Georgia Department of Human Resources under the Title XX program. All revenues received by this fund are used in implementing the Community Development program.

(c) Capital Improvement Fund - The Capital Improvement Fund accounts for financial resources to be used for construction or acquisition of major capital projects. Non-drainage SPLOST funds and their related projects are also recorded in the Capital Improvement Fund. SPLOST funds were previously collected over a five-year period beginning October 1998 and ending September 2003. A new SPLOST referendum was passed during 2003 extending the life of the SPLOST tax to 2008.

(d) Drainage Improvement Fund - The Drainage Improvement Fund accounts for resources devoted to construction of capital improvements to the stormwater drainage system. Special purpose local option sales tax (SPLOST) revenue for drainage projects is accounted for in this fund. SPLOST funds were previously collected over a five-year period beginning October 1998 and ending September 2003. A new SPLOST referendum was passed during 2003 extending the life of the SPLOST tax to 2008.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Major Proprietary Funds

The major Proprietary funds of the City are the Water and Sewer fund, the Sanitation fund, and the Resource Recovery Fund.

- (a) Water and Sewer Fund - The Water and Sewer Fund accounts for the operations of the water and sewer systems of the City and includes the operations of the Industrial and Domestic Water Supply Fund. The system supplies water and sewer service to area residents and to industrial and commercial users along the Savannah River.
- (b) Sanitation Fund - The Sanitation Fund accounts for the operation of the sanitation bureau of the City. The bureau supplies refuse pick-up service to commercial and residential customers in the area.
- (c) Resource Recovery Fund - The Resource Recovery Fund accounts for the operation of the Resource Recovery Development Authority ("Authority") for the City of Savannah. The purpose of the Authority is to provide the recovery and utilization of resources contained in solid waste.

(3) Other Reported Fund Types

- (a) Internal Service Funds – The Internal Service Funds account for goods and services, provided by one department to other departments on a cost-reimbursement basis. In addition, certain services are supplied to outside agencies for a fee. The City accounts for its data processing, engineering, real property acquisition, vehicle maintenance, and risk management functions in internal service funds.
- (b) Fiduciary Funds – The Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for others. The pension trust funds account for the assets and liabilities of the City of Savannah Employees' Retirement Plan and the City's Old Pension Trust Fund. The agency funds report the Recorder's Court Fund, used to account for bail bonds posted in Recorder's Court as well as various fines and forfeitures of other governmental agencies, and the Flexible Benefits Plan Fund, which accounts for the Section 125 Flexible Benefits Plan administered by the City for its employees.

The City has other funds that are not considered major. They are described in the supplementary information.

CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) Cash and Cash Equivalents

Cash, except for that which must remain segregated due to bond restrictions or federal regulations, is pooled and invested. Interest earned by the pooled cash is allocated to each of the funds based on each fund's average equity balance during the month. Funds that incur a negative balance in the pooled cash during the month are charged for interest. Investments are stated at fair value based on quoted market prices.

The City considers currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts to be cash and cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they mature in three months or less.

For the purpose of the proprietary fund Statement of Cash Flows, all short-term investments that are highly liquid are considered to be cash equivalents.

(F) Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are shown net of related allowance accounts. Allowances for uncollectible accounts are based upon an aging of the receivable balance. Major receivable balances for the governmental activities include property taxes, sales taxes, and grants. Within business-type activities, the largest portion of the receivables results from water and sewer billing activity.

In the fund financial statements, material receivables in governmental funds are often offset by deferred revenue accounts. Therefore, in these statements, revenues for property taxes are recognized only when collection occurs or funds are received. Significant property tax revenues were not available during the City's normal 30-day payment cycle following year-end, and accordingly, the City's basis of recognition agrees with the modified accrual basis revenue recognition method prescribed by NCGA Interpretation No. 3 as adopted by GASB.

(G) Interfund Receivables and Payables

During the course of operations, transactions may occur between individual funds that result in amounts owed between funds. Activity that is representative of lending/borrowing arrangements outstanding at the end of the fiscal period is referred to as either "due to/from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances to/from other funds". Interfund receivables and payables between the same fund type, i.e. within governmental activities or within business-type activities, are eliminated on the Statement of Net Assets. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide statements as "internal balances".

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) Inventories

Inventories of the Proprietary Funds (other funds do not have inventories) are determined by actual physical count and are stated at cost determined on a first-in, first-out method. The cost of inventory items is charged to expense when used.

(I) Prepaid Items

Prepaid items represent payments that the City has made for services in anticipation of future period expenses.

(J) Restricted Assets & Flow Assumption for Restricted Resources

Restricted asset amounts shown on the Statement of Net Assets are separated from other assets because of contractual agreements, legislative provisions or bond covenants limiting their use. The restricted assets shown originate from a variety of sources including i) customer deposits, ii) escrow deposits, iii) resources set aside by legislation for SPLOST (special purpose local option sales tax) projects or wireless communication projects, iv) resources set aside under grant agreements, v) street paving assessments receivables, the collection of which is used to pay debt service on paving assessment bonds, and vi) resources held for perpetual care. Also, certain proceeds of enterprise fund revenue bonds as well as resources set aside for their repayment are shown as restricted.

When both restricted and unrestricted assets are available for certain uses, the City follows the policy of utilizing restricted resources prior to applying unrestricted resources.

(K) Net Pension Asset

The Net pension asset represents the cumulative difference between annual pension cost and the City's contributions to the plan. An asset reflects that the City has contributed amounts in excess of the annual pension cost.

(L) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges and sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial cost of \$5,000 or more, and an estimated life of more than one year. Capital assets have been recorded at cost, if purchased, and if donated, at fair market value on the date of donation. Depreciation is calculated on the straight-line basis, with one-half year's depreciation recorded in the year of acquisition and one-half year's depreciation recorded in the year of disposal. Major improvements that extend the life of an asset are capitalized. Normal maintenance and repairs are charged to expense as incurred. Interest costs are included as part of capital assets in business-type activities, but not in governmental activities.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior to 1975, adequate records were not maintained to properly account for capital assets. The assets were recorded at appraised values as of December 31, 1974. The appraised values were based upon market values and historical cost data when available. Assets acquired since 1975 have been recorded at cost. Infrastructure capital assets constructed by the City, such as streets and drainage, have been capitalized since 1977. Although the City has recorded many of its infrastructure capital assets, the City is currently reviewing its infrastructure, especially in relation to donated assets, to ensure that all such assets are recorded before the phase-in date for retroactive general infrastructure reporting under Governmental Accounting Standards Board Statement No. 34. Any contributed assets are recorded at the fair market value at the time of the contribution.

Construction in progress is the total actual cost incurred to-date on uncompleted construction projects. Depreciation expense is based on the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 - 40
Building improvements	5 - 40
Public domain infrastructure	5 - 40
Vehicles	3 - 7
Machinery and Equipment	3 - 20

(M) Compensated Absences

City employees earn vacation leave at the rate of twelve days per year for the first five years of service, increasing to twenty-three (23) days per year after twenty-five years of service. Vacation leave may be accumulated up to three times the employees' annual rate, plus any current year accrual. At termination, employees who are not retiring receive payment for any unused vacation leave. Sick leave is earned at the rate of one day per month and may be accumulated up to two hundred sixty days. Employees are not paid for unused sick leave at termination. Therefore, no sick leave liability is accrued.

Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(N) Long-term Obligations

In the government-wide financial statements, long-term debt and other liabilities are reported as liabilities of governmental activities or business-type activities. They are also reported as liabilities in the proprietary fund financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the governmental fund financial statements, long-term debt is not reported as a liability. Instead, the face amount of debt issued is reported as other financing sources, and payment of principal and interest are reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

(O) Equity Classifications

- 1) Government-wide statements – Equity is classified as net assets, and displayed in three components:
 - (a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other debt attributable to the acquisition, construction or improvement of those assets.
 - (b) Restricted net assets – Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
 - (c) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- 2) Fund financial statements – Governmental fund equity is classified as fund balance. Fund balance can be reserved or unreserved. Reserved fund balance represents funds that are not available for appropriation or are legally segregated for a future use. Unreserved fund balance can be divided to designated and undesignated classifications. Designated fund balance represents funds which have tentatively been set aside for future use. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between the governmental fund balances and what is shown on the government-wide statements as net assets. Details of the reconciliation include the following:

- (1) The addition of capital assets, net of accumulated depreciation, to the government-wide financial statements. This reconciling item is needed since the fund financial statements under the modified accrual basis of accounting do not recognize capital assets but, instead, show expenditures for any capital item purchased. Net capital assets of \$202,386,811 were added to the government-wide statements.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

- (2) Other assets added to the Statement of Net Assets that result from differences in recognition criteria between the modified accrual basis and the accrual basis of accounting include \$2,728,102 in additional local option sales tax and \$61,601 for the net pension asset.
- (3) Amounts shown as a liability in the fund financial statements for deferred revenues are reclassified on the entity-wide statements. Amounts shown as deferred revenue on the fund financial statements included \$7,378,745 related to property taxes, \$208,408 related to special assessment receivables, and \$17,255,355 related to loan receivables and program receipts that will be used in grant programs in future periods.
- (4) Long term liabilities were added to governmental activities on the entity-wide statements as follows:

<u>Type of Long-term Liability</u>	<u>Amount</u>
General obligation bonds payable	\$ 1,700,000
Contractual obligations payable	21,290,000
Compensated absences payable	8,121,916
Special assessment debt payable	257,139
Section 108 notes payable	1,855,000
Accrued interest payable	507,578
Construction retainage payable	<u>26,362</u>
	<u>\$33,757,995</u>

(B) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between the net changes in fund balances – total governmental funds to the change in net assets of governmental activities that is reported in the government-wide statement of activities. Significant items in this reconciliation include:

- (1) Items expensed in governmental funds during the year as capital outlay but shown as assets on the entity-wide statements totaled \$20,898,508.
- (2) Depreciation expense during the year recorded on the government-wide statements but not on the fund financial statements was \$8,595,712.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds, except for restricted funds generally held by outside custodians for investments of the Enterprise Funds, the Pension Fund, Special Assessment Bond Investments and Resource Recovery Fund.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Various restrictions on deposits and investments, including repurchase agreements, are imposed by the State and the City itself. These restrictions are summarized below.

At December 31, 2003, the total carrying amount of cash and investments was \$443,174,607 which consisted of \$47,689,883 in bank deposits and cash equivalents, \$395,465,969 in investments, and \$18,755 in petty cash on hand. Cash and investments can be reconciled to the Government-wide Statement of Net Assets and the Statement of Fiduciary Net Assets as follows:

Cash and Investments, unrestricted	\$ 171,310,956
Cash and investments, restricted	73,117,639
Pension trust fund cash and cash equivalents	5,358,322
Pension trust fund investments	193,180,241
Agency fund cash and cash equivalents	<u>207,449</u>
Total cash and investments	<u>\$ 443,174,607</u>

Deposits

At year-end the carrying amount of the City's deposits was \$47,689,883 and the bank balance was \$49,895,618. The majority of the City's deposits in 2003 were collateralized through the Georgia Public Funds Pledging Pool. Collateral amounts held at year end were:

Amount insured by the FDIC or collateralized with securities held by the City or its agent in the City's name	\$ 240,170
Amount collateralized with securities held by the pledging financial institution's trust department in the City's name	<u>54,954,555</u>
Total collateral amount	<u>\$ 55,194,725</u>

State statutes require financial institutions holding public funds to secure these funds by federal depository insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The City is authorized to make direct investments in U.S. government, federal agencies and instrumentalities of the State of Georgia. The City may also invest in 1) Repurchase Agreement (Repo's) issued by commercial banks insured by the FDIC and by primary dealers supervised by the Federal Reserve Board of New York, with all Repo's being collateralized by securities authorized in the State Code with a market value equal to at least 103% of the Repurchase Agreement's maturity value, 2) the State of Georgia Local Government Investment Pool, and 3) City of Savannah Special Assessment Bonds.

Assets of the Pension Trust Fund are invested by the City of Savannah Retirement Board under the provisions of O.C.G.A. 47-1-12 and the investment guidelines adopted by the Board. Pension assets can be invested in U.S. Government Securities, corporate equity instruments, cash equivalents, equity real estate investments, corporate debt, and other fixed income obligations.

There are three classifications of credit risk as defined by the Governmental Accounting Standards Board Statement No. 3, determined by the nature of the investment and where it is held. These three types of credit risk are: Category 1 - Insured or registered, with securities held by the City or its agent in the City's name; Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name, and; Category 3 - Uninsured and unregistered with securities held by the counter party, or by its trust department or agent but not in the City's name. The investments held by the City at December 31, 2003 are summarized below:

	CATEGORY			Fair Value
	1	2	3	
Federal Agency	\$ 12,173,990			\$12,173,990
US Government Securities	17,671,051			17,671,051
Stocks	121,460,637			121,460,637
Corporate Bonds	30,423,406			30,423,406
Repurchase Agreements		6,029,401		6,029,401
City of Savannah Special Assessment Bonds	257,139			257,139
	<u>\$ 181,986,223</u>	<u>\$ 6,029,401</u>	<u>-</u>	188,015,624
Publicly Traded Real Estate Investment Fund				18,437,515
Local Government Investment Pool				183,174,840
Mutual funds				<u>5,837,990</u>
Total Investments				<u>\$395,465,969</u>

The fair value of traded securities and investments is defined as last reported sales price at year end at current exchange rates. The Local Government Investment Pool (Georgia Fund 1) is managed by the State of Georgia's Office of Treasury and Fiscal Services under Georgia law (O.C.G.A. 36-83-4). The pool

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the Securities & Exchange Commission as an investment company. The fair value of this investment is the same as the value of the pooled shares.

The City invested in overnight repurchase agreements throughout the year as permitted by cash flow availability. The value of this investment changed daily and never represented a significant portion of overall investment value.

NOTE 4 - PENSION PLANS

(A) City of Savannah Employees' Retirement Plan

(1) Summary of Significant Accounting Policies

The City maintains an agent multiple-employer defined benefit pension plan (the City of Savannah Employees' Retirement Plan) which was established by City ordinance in July 1972 to provide retirement and disability benefits for all full-time general and uniformed personnel of the City. Membership by all full-time City employees is required by ordinance. Employees of the Savannah Airport Commission, Metropolitan Planning Commission, and Youth Futures Authority are also eligible to participate in the Plan. City ordinance specifies types and levels of Plan benefits as well as Plan member contribution requirements. The Plan is administered by a Retirement Board whose primary functions include making benefit eligibility determinations, selecting a plan actuary, reviewing annual actuarial valuations, adopting an investment strategy, and engaging and evaluating investment managers in accordance with terms of the Plan and State statutes. While the City's General Fund bears most of the costs related to administering the Plan, the costs of external consultants and investment managers are funded by the Plan. The Plan does not issue a stand-alone financial report.

Basis of Accounting. The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative expenses are recognized when incurred.

Method Used to Value Investments. Investments are reported at fair value and are managed by third party money managers. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value.

Contributions. The Plan is a defined benefit plan to which employees are required to contribute 6.65% of their pre-tax earnings, and the City contributes such additional amounts as are necessary, based on actuarial valuations, in order to provide the plan with assets sufficient to meet

CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - PENSION PLANS (CONTINUED)

future benefits payable to plan members. The employer contribution as a percent of payroll determined by the most recent actuarial valuation is 5.30%.

Plan Description. As of January 1, 2003, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	768
Terminated employees entitled to benefits but not yet receiving them	<u>79</u> <u>847</u>
Active plan participants:	
Vested	1,328
Nonvested	<u>898</u>
Total	<u>2,226</u>

Under the Plan, pension benefits vest after five years of service. Normal retirement for general employees is age 57. Normal retirement for uniformed public safety employees (police officers and fire fighters) is age 55. The normal monthly benefit is calculated as follows:

Final average earnings times

- 2.1% for each year of service earned before January 1, 2000, plus 2.3% for each year of service earned after January 1, 2000 (to a maximum of 30 years of service) plus
- 1% of final average earnings times years of service in excess of 30 years to a maximum of 35 years.

Final average earnings is defined as the average monthly salary for the highest sixty consecutive months during the last ten years of employment.

The Plan also provides early retirement, occupational disability, survivors, non-occupational disability and death benefits to plan members and beneficiaries.

In 1999, the City added a provision for automatic post-retirement pension increases. Once a pensioner reaches the age of 65 and has received pension benefits for at least five years, an increase of 5% is automatically given to the pensioner in the month both conditions are met. Every year thereafter an automatic increase of 1% is granted to the pensioner. In March 2000, the Plan was further enhanced to allow accumulated sick leave as pensionable service for eligibility and benefit purposes.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - PENSION PLANS (CONTINUED)

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation for the year 2003 are as follows:

Annual required contribution	\$3,728,100
Interest on net pension obligation (asset)	(4,121)
Adjustment to annual required contribution	<u>6,039</u>
Annual Pension Cost	\$3,730,018
Contributions made	<u>3,740,104</u>
Increase (decrease) in net pension obligation	(10,086)
Net effect of Year 2001 adjustment to ARC	(2,160)
Net pension obligation (asset), beginning of year	<u>(49,355)</u>
Net pension obligation (asset), end of year	<u>\$ (61,601)</u>

The annual required contribution was determined as part of a January 1, 2002 actuarial valuation using the projected unit credit actuarial method. The annual required contribution for fiscal year-end 2001 has been adjusted for interest from the January 1, 2001 valuation to account for an early payment. The actuarial assumptions included (a) an 8% investment rate of return, net of investment and administrative expenses, and (b) projected future salary adjustments of between 4.67% and 6.36% per year, dependent of the age of the participant. An inflation component of 4.5% is included in the assumptions. The method for computing the actuarial value of plan assets was changed effective January 1, 2000 to a method that smoothes the effects of short-term volatility in the market value of investments over a four year period. The Plan's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll costs on a closed basis. The remaining amortization period at December 31, 2003 was 24 years.

Upon the City's implementation of GASB Statements No. 25 and 27, the City had no pension liability since the City has historically always made the actuarially determined employer contribution.

CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - PENSION PLANS (CONTINUED)

Three Year Trend Information.

Data relating to the Plan for the past three years is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2001	\$ 2,649,300	100.06	\$ (46,625)
2002	3,391,570	100.08	(49,355)
2003	3,730,018	100.27	(61,601)

(B) Old Pension Plan

In 1972, the old pension plan was terminated and replaced by the current City of Savannah Employees' Retirement Plan. A new fund was established in 1983 to fund the benefits payable to persons who were retired and/or vested under the old plan prior to 1972. The City contributed \$1,619,320 in 1983, \$471,692 in 1984, and \$185,000 in 1985 to fund the actuarially expected future benefits beginning in July 1985. Old pension benefits until July 1985 were funded by the General Fund. As a result of these contributions, the Old Pension Fund became fully funded as of July 1985. There are no active employees covered by the Old Pension Plan. Accordingly, there were no employee contributions in 2003.

In 1993, the City granted a general increase to persons receiving benefits under the Old Pension Plan. This increase was not anticipated when the Old Pension Plan was considered fully funded. To offset the cost of this increase, the General Fund contributes an amount equal to the additional cost each year. For 2003, the contribution was \$100,000.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 12,347,154	\$ 1,888,216		\$14,235,370
Construction in progress	<u>60,389,152</u>	<u>18,449,561</u>	\$ <u>2,959,256</u>	<u>75,879,457</u>
Total capital assets, not being depreciated	<u>72,736,306</u>	<u>20,337,777</u>	<u>2,959,256</u>	<u>90,114,827</u>
Capital assets, being depreciated:				
Plants and buildings	26,578,960	567,802		27,146,762
Improvements other than buildings	22,598,540	662,961		23,261,501
Machinery, equipment and vehicles	53,985,679	3,915,946	4,114,760	53,786,865
Streets and drainage	143,567,775	1,931,423		145,499,198
Other	<u>1,006,028</u>			<u>1,006,028</u>
Total capital assets being depreciated	<u>247,736,982</u>	<u>7,078,132</u>	<u>4,114,760</u>	<u>250,700,354</u>
Less: Accumulated Depreciation				
Plants & buildings	6,736,446	979,126		7,715,572
Improvements other than buildings	12,282,373	1,078,164		13,360,537
Machinery, equipment and vehicles	34,143,221	5,974,208	3,870,116	36,247,313
Streets and drainage	60,026,592	5,144,212		65,170,804
Other	<u>868,881</u>	<u>42,851</u>		<u>911,732</u>
Total accumulated depreciation	<u>114,057,513</u>	<u>13,218,561</u>	<u>3,870,116</u>	<u>123,405,958</u>
Total capital assets, being depreciated, net	<u>133,679,469</u>	<u>(6,140,429)</u>	<u>244,644</u>	<u>127,294,396</u>
Governmental activities capital assets, net	\$ <u>206,415,775</u>	\$ <u>14,197,348</u>	\$ <u>3,203,900</u>	\$ <u>217,409,223</u>

CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 5,119,608	\$ 631,997		\$ 5,751,605
Construction in progress	<u>25,126,020</u>	<u>13,384,404</u>	\$ 11,474,086	<u>27,036,338</u>
Total capital assets, not being depreciated	<u>30,245,628</u>	<u>14,016,401</u>	<u>11,474,086</u>	<u>32,787,943</u>
Capital assets, being depreciated:				
Plants, buildings, stations and reservoirs	317,636,304	11,940,941		329,577,245
Improvements other than buildings	48,123,647	128,792		48,252,439
Machinery and equipment	22,135,379	458,394		22,593,773
Other	<u>712,302</u>			<u>712,302</u>
Total capital assets being depreciated	<u>388,607,632</u>	<u>12,528,127</u>		<u>401,135,759</u>
Less: Accumulated depreciation				
Plants, buildings, stations and resevoirs	134,760,330	10,226,375		144,986,705
Improvements other than buildings	7,038,633	2,004,278		9,042,911
Machinery and equipment	7,403,672	43,065		7,446,737
Other	<u>505,980</u>	<u>1,368,904</u>		<u>1,874,884</u>
Total accumulated depreciation	<u>149,708,615</u>	<u>13,642,622</u>		<u>163,351,237</u>
Total capital assets, being depreciated, net	<u>238,899,017</u>	<u>(1,114,495)</u>		<u>237,784,522</u>
Business-type activities capital assets, net	<u>\$ 269,144,645</u>	<u>\$ 12,901,906</u>	<u>\$ 11,474,086</u>	<u>\$ 270,572,465</u>

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – CAPITAL ASSETS (CONTINUED)

During 2003, depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General administration	\$ 160,109
Management and financial services	685,650
Facilities maintenance	5,422,159
Police	299,786
Fire	346,045
Leisure services	1,274,352
Public development	<u>407,611</u>
Total depreciation expense – governmental activities	8,595,712
Depreciation expenses on Internal Service Fund Capital Assets	<u>4,622,849</u>
Total depreciation expense allocated to governmental activities	<u>\$13,218,561</u>

Business-type activities:

Water and sewer	\$ 9,049,060
Sanitation	2,764,997
Parking facilities	858,786
Civic Center	773,795
Golf course	<u>195,984</u>
Total depreciation expense – business-type activities	<u>\$ 13,642,622</u>

CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (CONTINUED)

As of December 31, 2003, the City had the following commitments with respect to unfinished capital projects:

<u>Project by Type</u>	<u>Project Authorization</u>	<u>Expended at Year-end</u>	<u>Committed</u>	<u>Required Future Financing</u>
Drainage	\$ 83,927,091	\$ 50,933,791	\$ 32,993,300	NONE
Industrial and Domestic Water Supply System	5,144,490	2,671,044	2,473,446	NONE
Public Buildings	23,554,116	5,322,590	18,231,526	NONE
Recreation	8,851,049	2,995,124	5,855,925	NONE
Sanitation	18,500,133	1,306,354	17,193,779	NONE
Sewerage	30,809,419	11,642,260	19,167,159	NONE
Squares	1,596,813	863,378	733,435	NONE
Street Paving	7,749,939	5,390,498	2,359,441	NONE
Traffic Engineering	2,705,605	1,578,746	1,126,859	NONE
Water	16,995,983	5,924,512	11,071,471	NONE
Other	<u>38,210,658</u>	<u>14,287,499</u>	<u>23,923,159</u>	NONE
Total	<u><u>\$ 238,045,297</u></u>	<u><u>\$ 102,915,796</u></u>	<u><u>\$ 135,129,501</u></u>	

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6- LONG-TERM LIABILITIES

(A) The following shows the composition of bonds, notes, and contractual obligations payable at December 31, 2003 and the annual maturities of long-term liabilities:

	Lowest/ Highest Coupon Rate	Original Issue Amount	Unmatured Bond/Interest at 12/31/03	2004	2005	2006	2007	2008	2009-2013	20014-2018	2019-2023
GOVERNMENTAL ACTIVITES PRINCIPAL PORTION											
General Obligation Bonds:											
1996 Street and Drainage	4.25%	\$ 2,000,000	\$ 1,700,000	\$ 1,700,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual Obligations Related to:											
1998 Downtown Savannah Authority Bonds	4.50/5.00	21,290,000	21,290,000				1,370,000	1,430,000	8,180,000	10,310,000	
Notes:											
2000-A Series HUD Section 108 Note	7.066/7.908	1,000,000	910,000	45,000	45,000	60,000	60,000	65,000	450,000	185,000	
2001-A Series HUD Section 108 Note	3.660/6.670	1,000,000	945,000	55,000	55,000	40,000	40,000	40,000	200,000	315,000	200,000
Total Notes Payable		2,000,000	1,855,000	100,000	100,000	100,000	100,000	105,000	650,000	500,000	200,000
Special Assessment Bonds:											
1995 Series "A"	6.00	226,600	22,660	22,660							
1996 Series "A"	6.00	500,000	150,000	50,000	50,000	50,000					
1998 Series "A"	6.00	124,160	49,664	12,416	12,416	12,416	12,416				
1999 Series "A"	6.00	24,980	14,988	2,498	2,498	2,498	2,498	2,498	2,498		
2001 Series "A"	6.00	24,783	19,827	2,478	2,478	2,478	2,478	2,478	7,437		
Total Special Assessment Bonds		900,523	257,139	90,052	67,392	67,392	17,392	4,976	9,935		
Total Governmental Activities Principal Portion		\$ 26,190,523	25,102,139	1,890,052	167,392	167,392	1,487,392	1,539,976	8,839,935	10,810,000	200,000
GOVERNMENTAL ACTIVITIES INTEREST PORTION											
General Obligation Bonds			72,250	72,250							
Contractual Obligations			10,282,570	1,010,380	1,010,380	1,010,380	1,010,380	948,730	3,712,105	1,580,215	
Section 108 Notes			1,134,746	124,757	118,993	113,046	106,689	100,225	382,596	168,640	19,800
Special Assessment Bonds			35,311	15,429	10,026	5,982	1,938	895	1,041		
Total Governmental Activities Interest Portion			11,524,877	1,222,816	1,139,399	1,129,408	1,119,007	1,049,850	4,095,742	1,748,855	19,800
Total Governmental Activities Debt Service Requirements			\$ 36,627,016	\$ 3,112,868	\$ 1,306,791	\$ 1,296,800	\$ 2,606,399	\$ 2,589,826	\$ 12,935,677	\$ 12,558,855	\$ 219,800

CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

(A) DEBT SERVICE SUMMARY (CONTINUED)

	Lowest/ Highest Coupon Rate	Original Issue Amount	Unmatured Bond/Interest at 12/31/03	2004	2005	2006	2007	2008	2009-2013	20014-2018	2019-2023
<u>BUSINESS-TYPE ACTIVITIES PRINCIPAL PORTION</u>											
WATER AND SEWER SYSTEM											
1997 Water and Sewer Revenue Bonds	4.75/5.10%	\$ 19,435,000	\$ 17,745,000	\$ 560,000	\$ 575,000	\$ 600,000	\$ 1,300,000	\$ 1,360,000	\$ 8,875,000	\$ 4,475,000	\$ -
2003 Water and Sewer Revenue Bonds	2.0/4.0	42,210,000	39,200,000	4,315,000	4,395,000	4,485,000	3,900,000	4,005,000	14,335,000	3,765,000	
SRF Notes	2.0/4.0	24,945,374	19,165,171	1,099,505	1,135,964	1,173,716	1,212,808	1,253,289	6,926,028	4,737,412	1,626,449
Total Water and Sewer Bonds and Notes		86,590,374	76,110,171	5,974,505	6,105,964	6,258,716	6,412,808	6,618,289	30,136,028	12,977,412	1,626,449
RESOURCE RECOVERY											
2001 Resource Recovery Bonds	2.20/3.40	40,265,000	30,435,000	6,765,000	8,370,000	15,300,000					
SANITATION											
1997 Resource Recovery Bonds	4.75/5.10	17,525,000	16,855,000	120,000	125,000	125,000	1,320,000	1,385,000	9,280,000	4,500,000	
2003 Resource Recovery Bonds	2.0/4.125	18,845,000	18,845,000	655,000	665,000	685,000	635,000	645,000	2,275,000	10,000,000	3,285,000
Total Sanitation Bonds		36,370,000	35,700,000	775,000	790,000	810,000	1,955,000	2,030,000	11,555,000	14,500,000	3,285,000
PARKING SERVICES											
Contractual Obligations Related to:											
1985 Downtown Savannah Authority Bonds	Variable	10,300,000	2,375,000	1,150,000	1,225,000						
2003 Downtown Savannah Authority Bonds	2.0/4.0	14,335,000	14,335,000	140,000	320,000	845,000	865,000	880,000	4,820,000	5,820,000	645,000
Total Parking Services Contractual Obligations		24,635,000	16,710,000	1,290,000	1,545,000	845,000	865,000	880,000	4,820,000	5,820,000	645,000
CIVIC CENTER											
Contractual Obligations Related to:											
2003 Downtown Savannah Authority Bonds	2.0/4.0	4,090,000	4,090,000	290,000			375,000	380,000	2,095,000	950,000	
Total Business-type Activities Principal Portion		<u>\$ 191,950,374</u>	<u>163,045,171</u>	<u>15,094,505</u>	<u>16,810,964</u>	<u>23,213,716</u>	<u>9,607,808</u>	<u>9,908,289</u>	<u>48,606,028</u>	<u>34,247,412</u>	<u>5,556,449</u>
<u>BUSINESS-TYPE ACTIVITIES INTEREST PORTION</u>											
Water and Sewer Bonds			14,071,591	2,024,918	1,902,630	1,777,868	1,649,955	1,483,555	4,410,165	822,500	
Water and Sewer Notes			5,246,516	633,658	597,198	559,446	520,355	479,873	1,739,785	621,401	94,800
Resource Recovery Bonds			2,284,095	980,040	783,855	520,200					
Sanitation Resource Recovery Bonds			15,193,161	1,348,507	1,481,784	1,462,546	1,442,909	1,365,921	5,439,264	2,516,724	135,506
Parking Services Contractual Obligations			4,692,624	303,111	483,224	466,675	447,663	426,038	1,725,863	814,250	25,800
Civic Center Contractual Obligations			1,003,196	77,806	122,688	122,688	122,688	113,313	391,363	52,650	
Total Business-type Activities Interest Portion			<u>42,491,183</u>	<u>5,368,040</u>	<u>5,371,379</u>	<u>4,909,423</u>	<u>4,183,570</u>	<u>3,868,700</u>	<u>13,706,440</u>	<u>4,827,525</u>	<u>256,106</u>
Total Business-type Activities Debt Service Requirements			<u>\$ 205,536,354</u>	<u>\$ 20,462,545</u>	<u>\$ 22,182,343</u>	<u>\$ 28,123,139</u>	<u>\$ 13,791,378</u>	<u>\$ 13,776,989</u>	<u>\$ 62,312,468</u>	<u>\$ 39,074,937</u>	<u>\$ 5,812,555</u>

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The following are changes in the long-term liabilities for the year ended December 31, 2003:

	Balance 12/31/02	2003 Issues	2003 Retirements	Balance 12/31/03	Unamortized Discounts	Balance 12/31/03	Amounts Due Within One Year
Governmental Activities							
Bonds and notes payable:							
General Obligation Bonds	\$ 2,325,000	\$ -	\$ 625,000	\$ 1,700,000	\$ -	\$ 1,700,000	\$ 1,700,000
Contractual Obligations relating to:							
Downtown Savannah Authority Bonds, 1995	3,035,000		3,035,000				
Downtown Savannah Authority Bonds, 1998	21,290,000			21,290,000		21,290,000	
Series 2000-A HUD Section 108 Note	955,000		45,000	910,000		910,000	45,000
Series 2001-A HUD Section 108 Note	1,000,000		55,000	945,000		945,000	55,000
Special Assessment Bonds	387,309		130,170	257,139		257,139	90,052
Total bonds and notes payable	28,992,309		3,890,170	25,102,139		25,102,139	1,890,052
Other liabilities:							
GMA Capital Lease Pool	4,077,659	1,446,843	1,561,078	3,963,424		3,963,424	1,690,263
Compensated absences	8,218,275	3,800,373	3,356,720	8,661,928		8,661,928	3,860,480
Claims and judgments	3,839,284	4,716,828	22,486	8,533,626		8,533,626	1,894,504
Total other liabilities	16,135,218	9,964,044	4,940,284	21,158,978		21,158,978	7,445,247
Governmental Activities long-term liabilities	\$ 45,127,527	\$ 9,964,044	\$ 8,830,454	\$ 46,261,117		\$ 46,261,117	\$ 9,335,299
Business-type Activities:							
Bonds and notes payable:							
Water and Sewer Revenue Bonds 1993	\$ 25,715,000	\$ -	\$ 25,715,000	\$ -	\$ -	\$ -	\$ -
Water and Sewer Revenue Bonds 1997	18,280,000		535,000	17,745,000	106,962	17,638,038	560,000
Water and Sewer Revenue Bonds 2003		42,210,000	3,010,000	39,200,000	763,796	38,436,204	4,315,000
Water and Sewer GEFA Loans	13,887,007		13,887,007				
Sewer SRF Loan	20,229,461		1,064,290	19,165,171	176,877	18,988,294	1,099,505
Resource Recovery Bonds 1994	1,725,000		1,725,000				
Resource Recovery Bonds 1995	4,935,000		4,935,000				
Resource Recovery Bonds 1997	16,975,000		120,000	16,855,000	102,492	16,752,508	120,000
Resource Recovery Bonds 2001	35,820,000		5,385,000	30,435,000		30,435,000	6,765,000
Resource Recovery Bonds 2003		18,845,000		18,845,000	447,831	18,397,169	655,000
Contractual obligations relating to:							
Downtown Savannah Authority Bonds, 1985	3,425,000		1,050,000	2,375,000		2,375,000	1,150,000
Downtown Savannah Authority Bonds, 1995	12,015,000		12,015,000				
Downtown Savannah Authority Bonds, 2003		18,425,000		18,425,000	486,562	17,938,438	430,000
Total bonds and notes payable	153,006,468	79,480,000	69,441,297	163,045,171	2,084,520	160,960,651	15,094,505
Other liabilities:							
Compensated absences	1,638,648	1,147,848	1,085,725	1,700,771		1,700,771	997,316
Closure and Postclosure Liability	4,607,230	1,845,996		6,453,226		6,453,226	
Total other liabilities	6,245,878	2,993,844	1,085,725	8,153,997		8,153,997	997,316
Business-type Activities long-term liabilities	\$ 159,252,346	\$ 82,473,844	\$ 70,527,022	\$ 171,199,168	\$ 2,084,520	\$ 169,114,648	\$ 16,091,821

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Bond discounts are deferred and amortized over the term of the bonds using the interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable.

Liquidations of long-term liabilities other than debt have typically occurred in prior years in the following manner:

- 1) Compensated absences are paid by the fund where the employee's position is budgeted. Most of the City's employees are paid from the General Fund.
- 2) Claims and judgments are paid from the Risk Management Fund, an internal service fund funded by all City departments.
- 3) Lease payments for the GMA Lease Pool are made by the Revolving Fund, an internal service fund that includes the City's vehicle maintenance, vehicle replacement and computer replacement programs.
- 4) Contractual obligations relating to Downtown Savannah Authority Bonds are liquidated by the General Obligation Bonds Debt Service Fund, a non-major fund.
- 5) Section 108 Notes are liquidated by the Community Development Fund.
- 6) Special assessment bonds are paid by the Special Assessment Debt Service fund, a non-major fund.

(B) Governmental Activities Bonds and Notes Payable

The unmatured principal of these liabilities is shown on the Statement of Net Assets in the governmental activities column. In the fund financial statements, current debt service is reported in the debt service funds.

(1) General Obligation Bonds

The City is authorized to issue, under the provision of the Constitution of the State of Georgia, general obligation bonds for street and drainage improvements without a referendum, provided that (1) the issuance of such bonds is authorized at a public meeting held for such purpose and (2) not more than 10% of the total unused bond capacity of the City, and in no event more than \$2,000,000 in the aggregate principal amount of such bonds, shall be issued in any fiscal year. The City did not issue any general obligation bonds during 2003, and general obligation bonds outstanding at year-end totaled \$1,700,000.

(2) Contractual Obligations

In 1998 the City entered into a contractual obligation related to Downtown Savannah Authority Refunding Revenue Bonds (City of Savannah Stormwater Capital Improvements Project), Series 1998 issued in the principal amount of \$21,290,000. The proceeds of the bond sale were used to currently refund the Downtown Savannah Authority Revenue Bonds (City of Savannah Stormwater Capital Improvements Project), Series 1990A, which had a principal balance of \$20,640,000 at refunding, and to cover issuance costs.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

Aggregate debt service on the Authority's Series 1998 bonds exceeded the aggregate debt service on the Authority's Series 1990A bonds by \$11,282,520. The economic gain from refunding based on comparing the present value of the two debt service streams was \$520,647.

The Authority's Series 1998 bonds are not a direct debt of the City; however, under the contract between the Authority and the City, the City is obligated to exercise its power of taxation to the extent necessary to pay the amounts required under the contract. Such contractually required payments will be sufficient to pay the principal and interest on the bonds when due.

The Authority's 1998 bonds bear interest at fixed rates between 4.5% and 5% depending on maturity. The bonds mature serially beginning in 2007 and ending in 2018. Bonds maturing on or after August 1, 2009 are subject to redemption prior to maturity at any time on or after August 1, 2008. Bonds maturing prior to August 1, 2009 are not callable. A maturity schedule for the 1998 Series bonds is shown on page 46.

(3) Notes

In 2001 the City issued a Section 108 Note in the principal amount of \$1,000,000 guaranteed by the Secretary of Housing and Urban Development. This note followed the issuance in 2000 of a Section 108 Note, also in the principal amount of \$1,000,000, with the same guarantee. Both notes are secured by the City's future CDBG obligations, and are part of a total loan commitment for the Section 108 guarantee of \$3,000,000.

Proceeds of the notes can only be used in accordance with approved Section 108 activities as specified in the Contract for Loan Guarantee Assistance between the City and HUD. In summary, the approved activities are limited to the funding of certain business loans and to costs associated with renovations to a planned Entrepreneurial Center.

The outstanding balances of the notes are shown on the Statement of Net Assets in the governmental activities column. Principal and interest payments on the note are paid through the Community Development Special Revenue Fund.

The 2000 Section 108 note bears interest at fixed rates between 7.066% and 7.908%, depending on maturity. The first maturity occurs in 2002 with the final maturity in 2017. The 2001 Section 108 note bears interest at fixed rates between 3.660% and 6.670%, depending on maturity. The first maturity of the 2001 note occurs in 2003 and the final maturity in 2020. A maturity schedule for the notes is shown on page 46.

(4) Special Assessments Bonds

The bonds were used to finance construction costs on special assessments projects, and mature as shown on page 46. These bonds are payable from, and secured by, a lien on the assessments levied on the properties benefiting from the improvements funded by the bonds and are not an obligation of the City. However, if special assessment collections are not sufficient to pay the bonds when due, the City is permitted to cover the shortfall.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

(5) Capital Leases

The City leases certain capital equipment, from the Georgia Municipal Association's (GMA) Pool Bond Series 1990 Trust (the Trust). The equipment acquired under the leases represents the use of a portion of the City's share of the proceeds from GMA's issuance of Pool Bond Certificates of Participation, Series 1990 (the Certificates). The City's current total share of the pool is \$9,127,782 of which \$1,064,006 is restricted by the Trust as a lease payment reserve. At December 31, 2003, \$3,963,424 was payable to the Trust by the City under Supplemental Lease Agreements. Under the terms of the program, the City is required to make lease payments in sufficient amounts to pay, when due, the principal of and interest on its pro rata share of outstanding certificates in each year as well as its portion of administrative expenses of the Trust and the related costs of issuance. The City's obligation to pay such lease payments is conditional on the annual appropriation of funds by the City Council.

Amounts drawn under the supplemental lease agreements bear interest at a variable rate determined weekly (not to exceed 15%) and payable monthly. Lease payments representing a repayment of principal on the Certificates are payable annually and become available to the City for further equipment lease purchases. The GMA lease program expires December 2020.

The following is a schedule of future minimum lease payments assuming a 5% interest rate under the executed supplemental lease agreements and the present value of the future minimum lease payments as of December 31, 2003:

<u>Year</u>	<u>Amount</u>
2004	\$ 1,774,776
2005	1,075,588
2006	968,779
2007	<u>559,988</u>
Subtotal	4,379,131
Less amount representing interest	<u>415,707</u>
Present value of future minimum lease payments	<u>\$ 3,963,424</u>

The leases are shown on the Statement of Net Assets in the governmental activities column. In the fund financial statements, the leases are shown in the revolving internal service fund.

(C) **Business-type Bonds and Notes Payable**

The unmatured principal of revenue bonds, notes, and contractual obligations are shown on the Statement of Net Assets in the business-type activities column. In the fund financial statements, the outstanding balances are included in the respective proprietary funds and paid through these funds.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

(1) Water and Sewer Revenue Bonds

In 1997, the City issued \$19,435,000 Water and Sewer Revenue Refunding Bonds Series 1997. The proceeds from this issue were used to defease City of Savannah Water and Sewer Revenue Refunding and Improvement Bonds, Series 1989, to fund construction of extensions, additions, and improvements to the City of Savannah Water and Sewer System, and to pay costs incidental to the bond issue. The transaction generated an economic gain (difference between the present values of the old and new debt service payments) of \$517,475. An accounting loss of \$178,522 was recognized concurrent with the defeasance. On December 1, 1997 all of the outstanding Series 1989 bonds were called for redemption. Thus, none of the 1989 bond series remain outstanding.

In 2003, the City issued \$42,210,000 Water and Sewer Revenue Refunding and Improvement Bonds Series. The proceeds of this issue were used to (1) construct improvements to the Water and Sewer System, (2) refund all of the City's outstanding Water and Sewer Revenue Refunding and Improvements Bonds, Series 1993 Bonds, (3) pre-pay certain loan made to the City by the Georgia Environmental Facilities Authority, and (4) pay costs incidental to the bond issue. The reacquisition price of the refunded debt exceeded the new debt devoted to the refunding by \$755,676. This amount will be amortized over the remaining life of the refunded debt. This refunding was undertaken to reduce total debt service payments by \$3,937,931 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,395,545.

In accordance with the terms of the bond resolutions for the 1997 and 2003 Water and Sewer Revenue bonds, the City has established a sinking fund into which monthly payments are made representing one-sixth of the interest and one-twelfth of the principal coming due on the next payment date for each series. In addition, a debt service reserve in an amount equal to the maximum future annual debt service must be maintained. The debt service reserves have been established with the purchase of a debt service reserve insurance policy which provides \$5,728,683 of the debt service reserve requirement. Monies in the debt service reserve or draws on the insurance policy can be used only to pay principal and interest on the bonds if there would otherwise be a default.

CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

At December 31, 2003, the sinking fund requirements and actual balances were as follows:

Sinking Fund Requirements:	
Interest requirements (for June 1, 2004)	\$ 168,743
Principal requirements (for December 1, 2004)	406,250
Debt Service Reserve	<u>6,899,918</u>
Total requirements at December 31, 2003	<u>7,474,911</u>
Sinking Fund Resources:	
Cash and investments in sinking fund at December 31, 2003	755,386
Debt Service Reserve Surety Bond	<u>6,899,918</u>
Total resources at December 31, 2003	<u>7,655,304</u>
Surplus	\$ <u>180,393</u>

A maturity schedule for the 1997 and 2003 Water and Sewer Revenue Bonds is shown on page 47.

(2) Water and Sewer Loan Agreements

Other liabilities of the Water and Sewer Fund include loan agreements the City has entered into with the State of Georgia under the State Revolving Fund Program (SRF). The SRF makes low interest loans to public sewer systems for capital improvements. The SRF program is funded by a combination of State funds and a grant to the State from the Federal Environmental Protection Agency. The following table shows detail of the SRF loans at December 31, 2003.

<u>Loan</u>	<u>Year of Project Description</u>	<u>Total Loan Commitment</u>	<u>Interest Rate (%)</u>	<u>Amorti- zation Period (Years)</u>	<u>Amount Drawn</u>	<u>-As of December 31, 2003- Principal Retired</u>	<u>Loan Payable</u>
1990	Georgetown Sewage Plant & Gateway Area Force Main	\$ 6,719,514	2.00	20	\$ 6,719,514	\$ 2,532,506	\$ 4,187,008
1996	President Street Plant	10,020,200	4.00	18	10,020,200	2,661,655	7,358,545
2000	I&D Plant Improvements	<u>8,205,660</u>	3.53	20	<u>8,205,660</u>	<u>586,042</u>	<u>7,619,618</u>
		<u>\$24,945,374</u>			<u>\$24,945,374</u>	<u>\$5,780,203</u>	<u>\$19,165,171</u>

A maturity schedule for the SRF and GEFA loans is located on page 47.

In prior years the City entered into loan agreements with the Georgia Environmental Facilities Authority (GEFA), a state agency. The GEFA makes low interest long-term loans to fund improvements to publicly owned water and sewer systems. In 2003, the City used proceeds of the

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

Series 2003 Bond to pre-pay principal and interest associated with outstanding GEFA loans in full. The note payable associated with the repaid GEFA loans at December 31, 2002 was \$13,887,007.

(3) Parking Services Contractual Obligations

In 1985 the City entered into a contractual obligation related to Downtown Savannah Authority Adjustable/Fixed Rate Revenue Bonds (City of Savannah Parking Facilities Project), Series 1985 issued in the principal amount of \$10,300,000. The proceeds from the bond sale were made available to the City to fund the construction of parking facilities in the City. The Authority's Series 1985 bonds are not a direct debt of the City; however, under the contract between the Authority and the City, the City is obligated to exercise its power of taxation to the extent necessary to pay the amounts required under the contract. Such contractually required payments will be sufficient to pay the principal, interest and all other fees related to the bonds when due.

The Series 1985 bonds were issued in six separate series designated by the year in which each series becomes due. The series are:

	<u>Principal Due September 1</u>
Series 1985-Due 1996	\$1,000,000
Series 1985-Due 1997	1,000,000
Series 1985-Due 1998	1,000,000
Series 1985-Due 1999	1,000,000
Series 1985-Due 2000	1,000,000
Series 1985-Due 2005	5,300,000

The bonds of each series may bear interest in one of four interest "modes": a weekly rate, an annual rate, a three-year rate and a fixed rate. All bonds in each series must bear interest in the same mode; however, each series may bear interest in a different mode. Once a series is converted to the fixed rate mode, the mode may not be changed. The bonds were issued in the weekly rate mode and continue to bear interest at the weekly rate.

The Series 1985-Due 2005 are subject to mandatory sinking fund redemption in part prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. In 2004, the City will redeem \$1,150,000 of the Series 1985-Due 2005 Bonds leaving a principal amount outstanding of \$1,225,000 to be retired at maturity. As long as the bonds bear interest in the weekly rate mode, the bonds are subject to redemption on demand by the registered owner with seven days written notice at a price equal to the principal amount plus accrued interest upon delivery to the Authority's depository bank. The Authority's remarketing agent is authorized to re-market any bonds which may be purchased in lieu of redemption. A maturity schedule for these bonds is located on page 47.

In 2003 the City entered into a contractual obligation related to Downtown Savannah Authority Revenue Refunding and Improvement Bonds (City of Savannah Capital Improvement Projects), Series 2003 issued in the principal amount of \$18,425,000. The proceeds of the bond sale were made available to the City to (1) fund a portion of the cost of constructing and equipping parking facilities to be located in the downtown area of the

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

City, (2) refund and redeem all of the Authority's Series 1995 Bonds currently outstanding, and (3) fund all expenses incidental to the issuance of the Bonds. The portion of the bond proceeds used by the City's Parking Fund to finance garage construction, refund debt and pay issuance costs amounted to \$14,335,000 and has been allocated to the Parking Fund. The reacquisition price of the refunded debt allocated to the Parking Fund exceeded the portion of the new debt devoted to refunding the old debt by \$158,900. These amounts will be amortized over the remaining life of the refunded debt. This refunding was undertaken in the Parking Fund to reduce total debt service payments by \$783,113 and resulted in an economic gain for the Parking Fund (difference between the present values of the debt service payments on the old and new debt) of \$615,218.

The Authority's Series 2003 bonds are not a direct debt of the City; however, under the contract between the Authority and the City, the City is obligated to exercise its power of taxation to the extent necessary to pay the amounts required under the contract. Such contractually required amounts are presented on page 47.

(4) Resource Recovery Fund Bonds

In 2001, the Resource Recovery Development Authority for the City of Savannah issued \$40,265,000 of Revenue Refunding Bonds, (Savannah Waste-to-Energy Project) Series 2001, fixed rate bonds dated October 10, 2001, with maturity dates beginning on December 1, 2002. The bonds bear interest at rates ranging from 2.2% to 3.4%. A maturity schedule for this issue is presented on page 47. The result of the refunding was a reduction in total future debt service payments of \$4,325,499. The transaction generated an economic gain (difference between the present values of the old and new debt service payments) of \$3,070,301. On December 1, 2001 all of the Series 1992 Revenue Refunding Bonds were called for redemption. Thus, none of the 1992 bond series remain outstanding.

The proceeds were used to (1) currently refund all of the outstanding Resource Recovery Development Authority Revenue Refunding Bonds, Series 1992 (Savannah Energy Systems Company Project), dated June 1, 1992, (2) fund a debt service reserve fund equal to 10% of the principal amount of the Bonds, and (3) pay cost of issuance of the Bonds. The Series 1992 Bonds had been issued to refund all of the Authority's outstanding Variable/Fixed Rate Revenue Bonds, Series 1984 (Savannah Energy Systems Company Project), which bonds were issued to finance, through the lending of the proceeds thereof to Savannah Energy Systems Company ("SESCO"), the acquisition and construction of a facility in Chatham County, Georgia designed to dispose of mixed residential, industrial, and commercial nonhazardous solid waste and to recover energy therefrom.

During 2002 SESCO transferred its interest in the Resource Recovery facility and the service agreement to a new joint partnership formed between it and affiliates of Montenay Power Corporation ("Montenay"). The joint partnership engaged an affiliate of Montenay to become the new operator of the facility effective April 29, 2002. However, this transaction did not relieve SESCO or KATY Industries, Inc., the parent corporation of SESCO ("Katy") of their obligations to the Authority under the loan agreement.

The Series 2001 Bonds are secured by contract with Montenay which includes, among other things, (1) obligations of the Authority and Montenay under a service agreement and obligations of the City under a waste disposal contract, (2) SESCO's obligation to repay the loan when due pursuant to a loan agreement, (3) a security interest in the waste recovery facility, (4) any waste disposal fees received by the

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

Authority from waste collectors located within the County, and (5) revenues from the sale of energy to Kerr-McGee Pigments, Inc., a subsidiary of Kerr-McGee Holdings, Inc. pursuant to a steam agreement. Certain of Montenay's payment obligations under the service agreement are guaranteed by Katy.

The loan receivable from Montenay is also guaranteed by Katy. The payment of this loan receivable follows the bond maturities which are December 1, as set forth below. The loan receivable bears interest at the rates set forth below and is payable semi-annually on June 1 and December 1:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2004	\$ 6,765,000	2.90%
2005	8,370,000	3.15%
2006	<u>15,300,000</u>	3.40%
	30,435,000	
Current portion	<u>6,765,000</u>	
	<u>\$23,670,000</u>	

(5) Sanitation Fund Resource Recovery Bonds

In 1997, the Resource Recovery Development Authority issued its Revenue Bonds, Series 1997 in the principal amount of \$17,525,000. The bonds bear interest ranging from 4.75% to 5.10%, with due dates beginning August 1, 1998. A maturity schedule for this issue is presented on page 47.

In conjunction with the Series 1997 bond offering, the Authority and the City of Savannah entered into a contract. Under the terms of this contract the City will use the proceeds of the sale of the bonds to finance improvements to the Authority's existing landfill and the Resource Recovery facility. The contract also calls for the City to make payments to the Authority in amounts sufficient to pay, when due, the principal and interest on the bonds. The contract obligation is secured by the full faith and credit of the City.

In 2003, the Resource Recovery Development Authority issued its Revenue Bonds, Series 2003 in the principal amount of \$18,845,000. In conjunction with the Series 2003 bond offering, the Authority and the City of Savannah entered into a contract. Under the terms of this contract the City will use the proceeds of the Series 2003 Bonds to (1) fund a portion of the cost of making improvements to the Authority's existing landfill, (2) refund all of the Authority's Series 1994 Bonds currently outstanding, (3) refund all of the Authority's Series 1995 Bonds currently outstanding, and (4) pay all expenses related to the issuance of the Bonds. The Bonds are limited obligations of the Authority, payable from payments made by the City to the Authority under the contract. The obligation of the City pursuant to the contract to make payments sufficient to pay the principal of and interest due on the Bonds is absolute and unconditional, and the City has covenanted to exercise its power of taxation to the extent necessary to make such payments. However, the Bonds do not constitute general obligations of the Authority or the City, and are not themselves secured by the general credit or taxing power of the City.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6- LONG-TERM LIABILITIES (CONTINUED)

The reacquisition price of the refunded debt exceeded the new debt devoted to the refunding by \$147,312. This amount will be amortized over the remaining life of the refunded debt. This refunding was undertaken to reduce total debt service payments by \$886,891 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$724,312.

(6) Civic Center Fund Contractual Obligations

As disclosed above, in 2003 the City entered into a contractual obligation related to Downtown Savannah Authority Revenue Refunding and Improvement Bonds (City of Savannah Capital Improvement Projects), Series 2003 issued in the principal amount of \$18,425,000. The proceeds of the bond sale were made available to the City to (1) fund a portion of the cost of constructing and equipping parking facilities to be located in the downtown area of the City, (2) refund and redeem all of the Authority's Series 1995 Bonds currently outstanding, and (3) fund all expenses incidental to the issuance of the Bonds. The portion of the bond proceeds used by the City's Civic Center Fund to refund debt and pay issuance costs amounted to \$4,090,000 and has been allocated to the Civic Center Fund. The reacquisition price of the refunded debt allocated to the Civic Center Fund exceeded the portion of the new debt devoted to refunding the old debt by \$77,000. This refunding was undertaken in the Civic Center Fund to reduce total debt service payments by \$205,049 and resulted in an economic gain for the Civic Center Fund of \$269,785.

The Authority's Series 2003 bonds are not a direct debt of the City; however, under the contract between the Authority and the City, the City is obligated to exercise its power of taxation to the extent necessary to pay the amounts required under the contract. Such contractually required amounts are presented on page 47.

NOTE 7 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision is being recognized based on the estimated future closure and postclosure care costs to be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of landfill capacity utilized during the year. In 2003, the City recognized a postclosure expense of \$1,845,996, which is based on 61.981% usage (filled) of the landfill. It is estimated that an additional \$3,958,446 will be recognized as closure and postclosure care expenses through the date the landfill is expected to be filled to capacity. The estimated total cost of the landfill closure and postclosure care (\$10,411,672) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2003. Based on landfill capacity, the estimated remaining useful life of the landfill is approximately 5.53 years. The actual cost of closure and postclosure care may fluctuate annually due to inflation, changes in technology, or changes in environmental laws and regulations.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

At December 31, 2003, the City had accrued \$6,453,226 in landfill closure and postclosure costs. This amount was determined as follows:

Estimated total cost of closure and postclosure care	\$10,411,672
Percent utilized at 12/31/03	<u>61.981</u>
Total postclosure and closure liability at 12/31/03	6,453,226
Less amount recognized in prior years	<u>4,607,230</u>
Current year closure/postclosure expense (credit)	<u>\$ 1,845,996</u>

The City will fund the closure and postclosure care costs with user fees and subsidies from the General Fund. As of December 31, 2003, no amount of assets had been restricted for the payment of closure and postclosure care costs. The landfill postclosure and closure liability of \$6,453,226 is included in long-term liabilities on the Statement of Net Assets.

NOTE 8 - POST-EMPLOYMENT MEDICAL BENEFITS

Upon retirement from City service, in accordance with City policy, an employee is still eligible to receive certain health care benefits. These benefits are available to all City retirees regardless of the type of retirement (early, regular, disability). Retiree health care benefits are partially funded by premiums paid by retirees enrolled in the health plan. At the end of 2003, the City had 1,077 retirees and beneficiaries enrolled in the health plan. The City reimburses 85 percent (after deductible) of the amount of validated claims for medical and hospitalization costs incurred by retirees and their dependents on Medicare. Non-Medicare retirees fall under the same benefit structure as City employees. Retirees paid premiums totaling \$900,320 for 2003. The City reimbursed retiree medical claims of \$1,979,286 and retiree prescription claims of \$1,083,047 in 2003. Currently, the City is financing the post-employment retirement benefits on a pay-as-you-go basis, and expenditures for the costs are recorded in the Risk Management Internal Service Fund.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the risk management program, the Risk Management Internal Service Fund provides coverage for worker's compensation claims, general liability claims, employee health benefit claims, unemployment compensation claims, and up to \$10,000 for each property damage claim. The City purchases property and liability insurance for claims in excess of coverage provided by the fund. As in the past three fiscal years, settled property damage claims in 2003 did not exceed commercial coverage.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - RISK MANAGEMENT (CONTINUED)

All funds of the City participate in the program and make payments to the Risk Management Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. During 2003 premiums paid into the fund by both the City and its employees were exceeded by liabilities incurred for claims for workers compensation and medical insurance premiums. As a result, the amount available for catastrophic losses at December 31, 2003 had a total net liability balance of \$4,880,631.

The Risk Management Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of potential claims that have occurred but not yet been reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation, and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in the aggregate amount finally paid, particularly for coverages such as general liability. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made.

The claims liability of \$8,533,626 reported as of year end is based on the requirements of Governmental Accounting Standards Board Statement 30, which requires that a liability for claims be established if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At December 31, 2003 \$6,639,122 of those covered liabilities are considered to be long-term. Changes in the fund's claims liability amount for the current and prior fiscal years are presented below:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2003	\$ 3,839,284	\$25,453,201	\$ 20,758,859	\$ 8,533,626
2002	2,886,357	16,255,203	(15,302,276)	3,839,284
2001	2,696,102	12,689,040	(12,498,785)	2,886,357

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2003 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,082,613	\$30,596,878
Capital Improvement Fund	30,596,878	
Community Development Fund		847,718
Nonmajor governmental fund		341,295
Sanitation	318,925	
Resource Recovery		318,925
Nonmajor business-type funds	106,400	
Total interfund receivables and payables	<u>\$32,104,816</u>	<u>\$32,104,816</u>

Amounts payable by the General Fund to the Capital Improvement Fund may not be paid within one year. These balances represent commitments for incomplete capital projects, and funds are transferred only as project expenditures are incurred.

Advances to/from other funds for the year ended December 31, 2003, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer	Nonmajor business-type Fund	<u>\$ 143,768</u>

The advance is expected to be fully repaid by 2004.

Interfund transfers in (out) for the year ended December 31, 2003, are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 3,812,566
General Fund	Community Development Fund	796,769
General Fund	Capital Improvement Fund	7,542,584
General Fund	Sanitation Fund	919,008
General Fund	Nonmajor business-type funds	437,830
Nonmajor governmental funds	Nonmajor business-type funds	1,009,202
Nonmajor governmental funds	General Fund	4,211,686
	Total	<u>\$18,729,645</u>

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, including capital projects, in accordance with budgetary operations.

During 2003, the General Fund transferred \$7,542,584 to the Capital Improvement Fund to pay expenditures related to various budgeted capital improvement projects. The General Fund also transferred \$919,008 to the Sanitation Fund to fund operating expenses. The General Fund transferred \$3,200,810 to the debt service fund to fund principal and interest payments on general obligation bonds.

NOTE 11 – RECEIVABLE AND PAYABLE BALANCES

Receivables at December 31, 2003 were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Taxes Receivable	\$12,906,897	
Due from other Governments	4,136,774	
Miscellaneous accounts receivable	569,492	\$16,014,623
Less: Allowance for Uncollectibles	<u>45,430</u>	<u>6,866,465</u>
Total	<u>\$17,567,733</u>	<u>\$ 9,148,158</u>

Payables at December 31, 2003 consisted of:

Due to vendors	\$ 4,166,301	\$ 935,574
Accrued payroll tax liabilities and withholdings	1,884,150	105,412
Other accounts payable	<u>2,236</u>	<u>-</u>
Total	<u>\$ 6,052,687</u>	<u>\$ 1,040,986</u>

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 – FUND EQUITY AND RESERVED FUND BALANCE

The Statement of Net Assets shows certain amounts as Restricted Net Assets. These amounts are restricted in their use by parties outside the City such as creditors, grantors, or contributors, or restricted by law or regulation. Components of Restricted Net Assets include:

Activity	Restricted by	Amount
Governmental Activities:		
Sales Tax Capital Projects	Law	\$ 40,218,783
Community Development projects	Grantor agencies	15,622,330
HUD Section 108 projects	Creditor – U. S. Dept. of Housing & Urban Development	506,068
Nonexpendable Perpetual Care	Cemetery perpetual care	3,520,921
Debt service	Special assessment bonds	331,152
Wireless Communication	Law	338,886
Other grants	Grantor agencies	1,128,604
Business-Type Activities:		
Debt service	Bond covenants	180,393

The Balance Sheet – Governmental Funds shows Reserved Fund Balances for the following:

Reserved for encumbrances – represents funds obligated for outstanding contracts and purchase orders at year end.

Reserved for Section 108 activities – denotes fund balance that is to be used only in relation to activities specified under a HUD Section 108 note.

Reserved for Perpetual Care – represents funds accumulated in the Cemetery fund for cemetery perpetual care.

Reserved for Debt Service – represents funds that will be used to repay special assessment bonds.

Reserved for Sales Tax Capital Projects – denotes fund balance reserved to pay for construction of capital projects that were approved by referendum. Sales tax is the funding source for these projects.

Reserved for Wireless Communication – represents funds collected from wireless communication providers under O.C.G.A. 46-5-133.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 - PROPERTY TAXES

Property is appraised and a lien on such property becomes enforceable 60 days after final notification on delinquency of property taxes. Property taxes are levied on all taxable real, public utilities, and personal property (including vehicles) located within the City. Assessed values for property tax purposes are determined by the Chatham County Board of Tax Assessors for all property except public utility. Assessed value is set at 40% of market value. Public utility assessed value is set by the State of Georgia.

The property tax calendar is as follows:

2003 (tentative) millage rate adopted by ordinance	December 31, 2002
Beginning of fiscal year for taxes	January 1, 2003
First installment real property tax bills rendered	April 11, 2003
First installment real property tax payment due	May 15, 2003
County Tax Digest approved by the State of Georgia	September 12, 2003
2003 final millage rate adopted by ordinance	July 25, 2003
Second installment real property tax bills rendered	October 4, 2003
Personal Property tax bills rendered	October 11, 2003
Second installment real property tax payment due	November 21, 2003
Personal property tax payment due	November 27, 2003
Delinquency date - real property taxes	November 22, 2003
Delinquency date - personal property taxes	November 28, 2003

NOTE 14 - SEGMENT INFORMATION

No further disclosure is needed for the City's defined segments, since each segment is also a major individual enterprise fund.

NOTE 15 - SIGNIFICANT COMMITMENTS

The City and affiliates of Montenay Power Corporation ("Montenay") have entered into agreements with the Resource Recovery Development Authority. Under these agreements, the City is to provide solid waste for disposal at the Resource Recovery facility, and Montenay is to operate a resource recovery facility. The agreement for the City also constitutes a modified take-or-pay contractual obligation payable on a parity with the outstanding general obligation debt. The obligation is in effect, however, only when the resource recovery facility is capable of operating at least at one-half of capacity. Energy revenue credits, penalties for energy purchase cancellation, and penalties for minimum operating results shortfall, reduce the service fee of the City under the agreement.

CITY OF SAVANNAH, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 - CONTINGENT LIABILITIES & VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

The City participates in a number of Federal and State assisted grant programs, which are subject to financial and compliance audits. In accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, June 1997 revision, the City will have a single audit performed for the year ended December 31, 2003. The City's compliance with applicable grant requirements will be established upon the completion of the single audit. The amount, if any, of expenditures which may be disallowed by the granting agencies can not be determined at this time although the City expects such amounts, if any, to be immaterial.

The City reviews all outstanding claims and judgments to determine if any estimated liabilities should be accrued at year end. Based on the review of the claims and past experience, it has been determined that there were no material claims and judgments outstanding at December 31, 2003. The City has been named as a potentially responsible party regarding environmental remediation of a closed landfill. A liability associated with the landfill remediation can not be estimated; however, the City expects such amounts, if any, to be immaterial.

There were no material violations of finance-related legal or contractual provisions by the City of Savannah in 2003.

NOTE 17 - CONDUIT DEBT OBLIGATIONS

On October 1, 2001 the City issued the City of Savannah, Georgia Airport Revenue Refunding Bonds which currently refunded all of the outstanding City of Savannah Airport Revenue Bonds, Series 1992, purchased debt service reserve surety bonds, and paid certain costs of issuance. The bonds defeased the 1992 Airport Revenue Bonds that were issued to finance the acquisition and construction of certain capital improvements at the Savannah-Hilton Head International Airport. Although the Series 2001 Bonds were issued by the City, they do not constitute and are not an obligation or indebtedness of the City, Chatham County, the State of Georgia or any political subdivision thereof. The City is not obligated to levy taxes in any nature for payment of the Bonds.

As the Bonds are not an obligation of the City, and as the Savannah Airport Commission is not a component unit of the City, the bonds are not reported as liabilities in the accompanying financial statements.

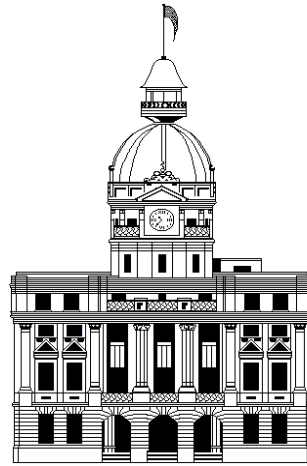
As of December 31, 2003, the Series 2001 Revenue Bonds outstanding were \$30,440,000. At December 31, 2003, all Series 1992 bonds had been defeased.

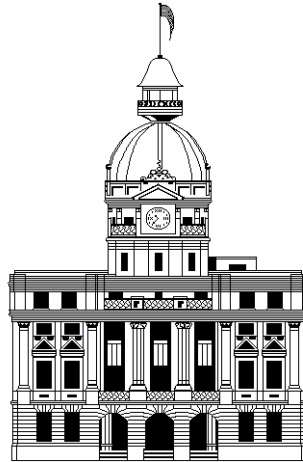
CITY OF SAVANNAH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 – RESTATEMENT OF NET ASSETS

For the year ended December 31, 2003 the City restated beginning net assets for governmental activities as reflected on the entity-wide Statement of Activities. This restatement resulted from the recognition that prior year land acquisitions occurring as part of flood abatement programs needed to be capitalized and reflected on the City's fixed asset records. To reflect the capitalization of these prior year acquisitions, the beginning net assets reported for governmental activities on the Statement of Activities was restated, as follows:

Beginning Net Assets at January 1, 2003	\$287,937,197
Restatement Amount	<u>9,161,091</u>
Restated Beginning Net Assets December 31, 2003	<u><u>\$297,098,288</u></u>





SUPPLEMENTAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

- BUDGET AND ACTUAL SCHEDULES
- SCHEDULE OF FUNDING PROGRESS
- SCHEDULE OF EMPLOYER CONTRIBUTIONS
- NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS

OTHER SCHEDULES

CITY OF SAVANNAH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:				
Property taxes	\$ 37,997,036	\$ 37,584,835	\$ 38,315,724	\$ 730,889
Intangible, transfer and franchise taxes	13,617,436	13,693,000	13,977,531	284,531
General sales tax	30,750,000	30,750,000	31,071,114	321,114
Selective sales taxes	2,713,000	2,780,450	2,841,046	60,596
Business taxes	5,886,720	6,004,000	6,182,558	178,558
Penalties and interest on delinquent taxes	549,500	857,875	1,004,890	147,015
Licenses and permits	1,449,050	1,359,300	1,354,965	(4,335)
Inspection fees	1,118,000	1,226,500	1,618,847	392,347
Intergovernmental revenue	520,000	2,378,085	2,328,946	(49,139)
Charges for services	2,802,221	2,729,556	3,030,700	301,144
Indirect cost allocations	4,126,020	4,126,020	4,126,020	
Fines and forfeitures	3,450,000	3,350,000	3,391,098	41,098
Investment income	1,411,055	605,000	526,543	(78,457)
Miscellaneous revenue	632,500	731,807	958,798	226,991
Total revenues	<u>107,022,538</u>	<u>108,176,428</u>	<u>110,728,780</u>	<u>2,552,352</u>
EXPENDITURES:				
Current:				
General administration	1,953,573	1,897,774	1,886,794	10,980
Management and financial services	7,646,959	7,607,850	7,485,974	121,876
Facilities maintenance	18,921,455	18,879,214	18,609,794	269,420
Police	31,157,043	31,287,046	31,242,965	44,081
Recorder's court	1,716,895	1,640,767	1,626,901	13,866
Fire	14,582,762	14,623,504	14,620,858	2,646
Leisure services	11,757,986	11,586,684	11,417,364	169,320
Social and cultural	1,952,074	2,062,173	2,060,670	1,503
Public development	4,332,390	3,964,049	3,949,731	14,318
Other governmental services	<u>7,842,730</u>	<u>7,862,836</u>	<u>7,636,355</u>	<u>226,481</u>
Total expenditures	<u>101,863,867</u>	<u>101,411,897</u>	<u>100,537,406</u>	<u>874,491</u>
Excess of revenues over (under) expenditures	<u>5,158,671</u>	<u>6,764,531</u>	<u>10,191,374</u>	<u>3,426,843</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,110,830	3,945,361	4,211,686	266,325
Transfers out	<u>(9,269,501)</u>	<u>(13,528,569)</u>	<u>(13,508,757)</u>	<u>19,812</u>
Total other financing sources (uses)	<u>(5,158,671)</u>	<u>(9,583,208)</u>	<u>(9,297,071)</u>	<u>286,137</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,818,677)</u>	<u>894,303</u>	<u>\$ 3,712,980</u>
FUND BALANCE - JANUARY 1			<u>16,074,260</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 16,968,563</u>	

CITY OF SAVANNAH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
YEAR ENDED DECEMBER 31, 2003

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:				
Intergovernmental Revenue	\$ 14,177,896	\$ 15,095,365	\$ 9,116,584	\$ (5,978,781)
Charges for services			1,234,948	1,234,948
Interest earned			3,638	3,638
Miscellaneous revenue			139,296	139,296
Total revenues	<u>14,177,896</u>	<u>15,095,365</u>	<u>10,494,466</u>	<u>(4,600,899)</u>
EXPENDITURES:				
Community development program and administration	14,981,584	15,709,220	11,060,989	4,648,231
Debt Service:				
Principal		100,000	100,000	-
Interest and fiscal charges		130,246	130,246	-
Total expenditures	<u>14,981,584</u>	<u>15,939,466</u>	<u>11,291,235</u>	<u>4,648,231</u>
Excess of revenues over (under) expenditures	<u>(803,688)</u>	<u>(844,101)</u>	<u>(796,769)</u>	<u>47,332</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>803,688</u>	<u>844,101</u>	<u>796,769</u>	<u>(47,332)</u>
Total other financing sources (uses)	<u>803,688</u>	<u>844,101</u>	<u>796,769</u>	<u>(47,332)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - JANUARY 1				
FUND BALANCE - DECEMBER 31			<u>\$ -</u>	

**CITY OF SAVANNAH, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF SAVANNAH EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2003**

Actuarial Valuation Date January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Excess of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a-b)/c)
1994	\$ 89,383,700	\$ 72,639,200	\$ 16,744,500	123.05%	\$ 49,671,000	33.71%
1995	92,455,900	84,773,600	7,682,300	109.06%	52,289,000	14.69%
1996	103,682,700	89,896,900	13,785,800	115.34%	54,122,000	25.47%
1997	116,918,051	115,723,200	1,194,851	101.03%	58,172,000	2.05%
1998	130,870,960	122,649,200	8,221,760	106.70%	59,585,700	13.80%
1999	143,560,998	129,792,900	13,768,098	110.61%	60,288,700	22.84%
2000	* 160,102,200	149,042,600	11,059,600	107.42%	62,789,700	17.61%
2001	176,039,500	169,378,300	6,661,200	103.93%	66,514,100	10.01%
2002	190,310,800	186,290,400	4,020,400	102.16%	70,377,800	5.71%
2003	189,976,800	196,360,000	(6,383,200)	96.75%	72,266,000	(8.83)%

* Effective January 1, 2000 the method for computing the actuarial value of plan assets was changed to a method that smooths the effects of short-term volatility in the market value of investments over a four year period.

**CITY OF SAVANNAH, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF SAVANNAH EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2003**

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1994	\$ 2,013,800	101.01%
1995	2,286,700	100.00%
1996	3,273,500	101.97%
1997	2,875,000	103.60%
1998	3,037,638	100.03%
1999	2,904,402	100.54%
2000	2,709,275	100.65%
2001	2,646,377	100.17%
2002	3,390,043	100.13%
2003	3,728,100	100.32%

CITY OF SAVANNAH, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A - BUDGET

The City adopted annual budgets for the 2003 fiscal year for the General Fund, all Special Revenue Funds and all Debt Service Funds. Budgets for all governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Budgets for capital project funds are adopted as project length budgets.

Presentation of major fund budgets can be found in the Required Supplementary Information. Nonmajor fund budgets are detailed in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue and Debt Service Funds.

The City is organized into nine major departments which are called bureaus. The bureau is the legal level of control. The legal level of control is the level at which expenditures may not legally exceed the budget without approval by the City Council. The City Manager may approve changes below the legal level of control. Appropriations lapse at year-end with two exceptions. First, in the Capital Projects Funds appropriations are carried forward until project completion. Second, encumbered appropriations do not lapse but are carried forward to the ensuing budget year as budgetary amendments.

Budgeted amounts shown in the required supplemental information are as adopted by the City Council. Budgetary activity for 2003 is presented below:

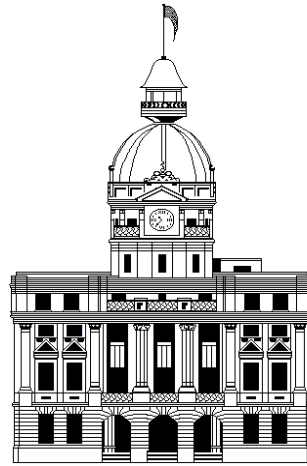
<u>Fund</u>	<u>Original Appropriation</u>	<u>Encumbered Appropriations Carried Forward From Prior Years</u>	<u>Budgetary Amendments</u>	<u>Final Appropriations</u>
Major Funds:				
General	\$ 111,133,368	\$1,082,429	\$ 2,724,669	\$114,940,466
Community Development	14,981,584	17,849	940,033	15,939,466
Nonmajor Funds:				
Grant	3,481,848	4,726	5,465,872	8,952,446
Economic Development	0		1,500,000	1,500,000
Hazardous Materials Team	322,966	850	99,088	422,904
Public Safety Communications	2,516,277	4,247	179,669	2,700,193
Hotel/Motel Tax	3,790,500		(30,332)	3,760,168
Automobile Rental Tax	1,281,320		18,680	1,300,000
Confiscated Assets	27,726	3,190	(916)	30,000
General Obligation Bond Debt Service	6,706,810		(478,535)	6,228,275
Special Assessment Debt Service	199,316			199,316

CITY OF SAVANNAH, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

In accordance with State law, new appropriations for projects for the capital project funds were adopted by ordinance and totaled \$43,334,000 in 2003. During 2003, no bureau expenditures exceeded appropriations.

To prepare its budget for the next fiscal year, City Budget staff and departments work together to analyze funding needs beginning in the preceding June. The Budget Department prepares a draft budget for the City Manager in August. After reviewing the draft budget and meeting with the bureaus, the City Manager and Budget staff prepare a Recommended Service Program and Budget as well as a five year Capital Improvement Plan. Both are presented to City Council in October. Council conducts public hearings in November and December, and adopts budgeted revenues and appropriations for the upcoming fiscal year by ordinance in December. Subsequent budgetary amendments can be adopted upon majority vote of the City Council.



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR CITY FUNDS

In the Notes to the Financial Statements, the City has described its major funds and its internal service and fiduciary funds. Other non-major funds of the City include:

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The non-major Special Revenue Funds maintained by the City follow:

Grant Fund – The Grant Fund accounts for all grants not properly accounted for in another fund. This fund's major grant revenues are received from the State of Georgia for this service area under the Workforce Investment Act.

Economic Development Fund – The Economic Development Fund reports the proceeds and uses of a Section 108 Note guaranteed by the Secretary of HUD and secured by the City's future CDBG allocations. Note proceeds will be used to fund certain business loans and costs related to the development of an entrepreneurial center.

Hazardous Materials Team Fund - The Special Revenue Fund for the Hazardous Materials Team is used to account for the activities of a group of fire personnel who work to control and reduce risks related to industrial chemical events in Chatham County. Operating revenue for the Hazardous Materials Team Fund is supplied 25% by the City, 25% by Chatham County, and 50% by area facilities that manufacture, use or store hazardous materials.

Public Safety Communications Fund - The Public Safety Communications Fund reports the operation of the City's emergency communications (E-911) system and revenues generated from telephone subscriber surcharge fees.

Hotel/Motel Tax Fund – The Hotel/Motel Tax Fund is used to account for the proceeds and uses of a six percent selective sales tax applied to occupied hotel and motel rooms throughout the City. This sales tax is applied to the taxable charges for the room and collected by merchants who then remit the taxes to the City Treasurer.

Automobile Rental Tax Fund – The Automobile Rental Tax Fund is used to account for the proceeds and uses of a three percent selective sales tax applied to automotive vehicle rentals from locations within the City of Savannah. This sales tax is applied to the rental charge of each motor vehicle and collected by merchants who then remit the taxes to the City Treasurer.

Confiscated Assets Fund - Income generated from assets seized in drug-related cases as well as the use of the funds is accounted for in the Special Revenue Fund Confiscated Assets Fund.

Permanent Fund

The Permanent Fund accounts for assets held by the City that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Cemetery Fund - The Cemetery Fund accounts for the revenues received for the upkeep of cemetery lots located in Greenwich, Bonaventure, and Laurel Grove perpetual care cemeteries. Interest earned on investments held by this fund is transferred to the General Fund to defray a portion of the cost of cemetery maintenance.

NONMAJOR CITY FUNDS (CONTINUED)

Debt Service Funds

Debt Service Funds account for funds accumulated and expended to pay principal, interest, and related costs of City debt, other than debt service payments made from the Enterprise Funds.

The Debt Service Funds maintained by the City are as follows:

Debt Service Fund for General Obligation Bonds - The Debt Service Fund for General Obligation Bonds accounts for the accumulation of resources for, and the payment of, general obligation principal, interest and related costs.

Debt Service Fund for Special Assessment Debt - The Debt Service Fund for Special Assessment Debt accounts for the accumulation of resources for, and the payment of special assessment principal, interest and related costs.

Capital Projects Funds

The Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital projects.

Non-major Capital Projects Funds of the City are:

Sales Tax Road Funds – Two separate Sales Tax Road Funds account for the receipt and use of special sales tax proceeds for road improvement projects.

Enterprise Funds

Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charge; or, (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Non-major Enterprise Funds maintained by the City include:

Civic Center Fund - The Civic Center Fund accounts for the operation of the Savannah Civic Center.

Golf Course Fund - The Golf Course Fund accounts for the transactions related to the lease between the City and EDR Management Inc. EDR Management Inc. operates the Bacon Park Golf Course and pays the City a monthly rent.

Parking Services Fund - The Parking Services Fund accounts for the operation of the City of Savannah Parking Garages, the parking meter program and parking enforcement activities.

CITY OF SAVANNAH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	SPECIAL REVENUE FUNDS							PERMANENT FUND
	GRANT	ECONOMIC DEVELOPMENT	HAZARDOUS MATERIALS TEAM	PUBLIC SAFETY COMMUNICATIONS	HOTEL/MOTEL TAX	AUTOMOBILE RENTAL	CONFISCATED ASSETS	CEMETERY
<u>ASSETS</u>								
Cash and investments	\$ 11,949			\$ 8,208	\$ 31,477		\$ 35,842	\$ 87,476
Receivables, net					394,459	\$ 141,866		536,325
Due from other governments	1,136,385		\$ 2,200					1,138,585
Restricted assets:								
Cash and investments		\$ 506,068		338,886				844,954
Special assessments receivable, net								3,520,921
Notes receivable		446,567						446,567
Total assets	\$ 1,148,334	\$ 952,635	\$ 2,200	\$ 347,094	\$ 425,936	\$ 141,866	\$ 35,842	\$ 3,053,907
								\$ 3,645,785
<u>LIABILITIES AND FUND EQUITY</u>								
Liabilities:								
Accounts payable	\$ 75,986			\$ 8,208	\$ 228,707			\$ 312,901
Due to other funds			\$ 2,200		197,229	\$ 141,866		341,295
Deferred revenue - other	1,072,348	\$ 446,567						1,518,915
Total liabilities	1,148,334	446,567	2,200	8,208	425,936	141,866		2,173,111
								124,864
Fund equity:								
Reserved for encumbrances								
Reserved for Section 108 activities		506,068						506,068
Reserved for perpetual care								3,520,921
Reserved for debt service fund								
Reserved for Sales Tax Capital Projects								
Reserved for Wireless communication				338,886				338,886
Unreserved							\$ 35,842	35,842
Total fund equity	-	506,068	-	338,886	-	-	35,842	880,796
								3,520,921
Total liabilities and fund equity	\$ 1,148,334	\$ 952,635	\$ 2,200	\$ 347,094	\$ 425,936	\$ 141,866	\$ 35,842	\$ 3,053,907
								\$ 3,645,785

This statement is continued on the next page.

CITY OF SAVANNAH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	DEBT SERVICE FUNDS			CIP FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GENERAL OBLIGATION BONDS	SPECIAL ASSESSMENTS	TOTAL	SALES TAX ROAD FUND I	SALES TAX ROAD FUND II	TOTAL	
ASSETS							
Cash and investments	\$ 1,375,453		\$ 1,375,453				\$ 1,462,929
Receivables, net							661,189
Due from other governments							1,138,585
Restricted assets:							
Cash and investments		\$ 122,744	122,744	\$ 234,344	\$ 640,419	\$ 874,763	5,363,382
Special assessments receivable, net		208,408	208,408				208,408
Notes receivable							446,567
Total assets	<u>\$ 1,375,453</u>	<u>\$ 331,152</u>	<u>\$ 1,706,605</u>	<u>\$ 234,344</u>	<u>\$ 640,419</u>	<u>\$ 874,763</u>	<u>\$ 9,281,060</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable							\$ 312,901
Due to other funds							341,295
Deferred revenue - other		\$ 208,408	\$ 208,408				1,852,187
Total liabilities		<u>208,408</u>	<u>208,408</u>				<u>2,506,383</u>
Fund equity:							
Reserved for encumbrances					\$ 161,465	\$ 161,465	161,465
Reserved for Section 108 activities							506,068
Reserved for perpetual care							3,520,921
Reserved for debt service fund		122,744	122,744				122,744
Reserved for Sales Tax Capital Projects				\$ 234,344	478,954	713,298	713,298
Reserved for Wireless communication							338,886
Unreserved	<u>\$ 1,375,453</u>		<u>1,375,453</u>				<u>1,411,295</u>
Total fund equity	<u>1,375,453</u>	<u>122,744</u>	<u>1,498,197</u>	<u>234,344</u>	<u>640,419</u>	<u>874,763</u>	<u>6,774,677</u>
Total liabilities and fund equity	<u>\$ 1,375,453</u>	<u>\$ 331,152</u>	<u>\$ 1,706,605</u>	<u>\$ 234,344</u>	<u>\$ 640,419</u>	<u>\$ 874,763</u>	<u>\$ 9,281,060</u>

This statement is continued from the previous page.

CITY OF SAVANNAH
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003

	SPECIAL REVENUE FUNDS							PERMANENT FUND
	GRANT	ECONOMIC DEVELOPMENT	HAZARDOUS MATERIALS TEAM	PUBLIC SAFETY COMMUNICATIONS	HOTEL/MOTEL TAX	AUTOMOBILE RENTAL	CONFISCATED ASSETS	CEMETERY
REVENUES:								
Selective sales tax					\$ 7,770,569	\$ 1,345,603	\$ 29,105	\$ 9,116,172
Intergovernmental revenue	\$ 8,309,378							8,338,483
Charges for services		\$ 45,004	\$ 173,200	\$ 2,027,539				2,245,743
Special assessments								
Investment income	28,997	4,448		267			190	33,902
Miscellaneous revenue	321,813							321,813
Total revenues	8,660,188	49,452	173,200	2,027,806	7,770,569	1,345,603	29,295	20,056,113
EXPENDITURES:								
Police				2,242,394			3,197	2,245,591
Fire			336,864					336,864
Other governmental services					3,895,284			3,895,284
Grant program and administration	8,660,188							8,660,188
Community development program and administration		312,072						312,072
Debt Service:								
Principal								
Interest and fiscal charges								
Total expenditures	8,660,188	312,072	336,864	2,242,394	3,895,284		3,197	15,449,999
Excess of revenues over (under) expenditures	-	(262,620)	(163,664)	(214,588)	3,875,285	1,345,603	26,098	4,606,114
OTHER FINANCING SOURCES (USES):								
Transfers in			163,664	448,092				611,756
Transfers out					(3,875,285)	(1,345,603)		(5,220,888)
Total other financing sources (uses)	-	-	163,664	448,092	(3,875,285)	(1,345,603)	-	(4,609,132)
Net change in fund balances		(262,620)		233,504			26,098	(3,018)
FUND BALANCE - JANUARY 1		768,688		105,382			9,744	883,814
FUND BALANCE - DECEMBER 31	\$ -	\$ 506,068	\$ -	\$ 338,886	\$ -	\$ -	\$ 35,842	\$ 880,796
								\$ 3,520,921

CITY OF SAVANNAH
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003

	DEBT SERVICE FUNDS			CIP FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GENERAL OBLIGATION BONDS	SPECIAL ASSESSMENTS	TOTAL	SALES TAX ROAD FUND I	SALES TAX ROAD FUND II	TOTAL	
REVENUES:							
Selective sale tax							\$ 9,116,172
Intergovernmental revenue							8,338,483
Charges for services							2,386,450
Special assessments		\$ 252,032	\$ 252,032				252,032
Investment income	\$ 27,589	23,526	51,115	\$ 2,680	\$ 7,323	\$ 10,003	95,020
Miscellaneous revenue							321,813
Total revenues	27,589	275,558	303,147	2,680	7,323	10,003	20,509,970
EXPENDITURES:							
Police							2,245,591
Fire							336,864
Other governmental services							3,895,284
Grant program and administration							8,660,188
Community development program and administration							312,072
Debt Service:							
Principal	3,660,000	130,170	3,790,170				3,790,170
Interest and fiscal charges	1,263,810	23,239	1,287,049				1,287,049
Total expenditures	4,923,810	153,409	5,077,219				20,527,218
Excess of revenues over (under) expenditures	(4,896,221)	122,149	(4,774,072)	2,680	7,323	10,003	(17,248)
OTHER FINANCING SOURCES (USES):							
Transfers in	3,200,810		3,200,810				3,812,566
Transfers out							(5,220,888)
Total other financing sources (uses)	3,200,810	-	3,200,810	-	-	-	(1,408,322)
Net change in fund balances	(1,695,411)	122,149	(1,573,262)	2,680	7,323	10,003	(1,425,570)
FUND BALANCE - JANUARY 1	3,070,864	595	3,071,459	231,664	633,096	864,760	8,200,247
FUND BALANCE - DECEMBER 31	\$ 1,375,453	\$ 122,744	\$ 1,498,197	\$ 234,344	\$ 640,419	\$ 874,763	\$ 6,774,677

This statement is continued from the previous page.

CITY OF SAVANNAH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS AND DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2003

	GRANT FUND				ECONOMIC DEVELOPMENT FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:								
Intergovernmental revenue	\$ 3,481,848	\$ 8,952,446	\$ 8,309,378	\$ (643,068)		\$ 500,000	\$ 45,004	\$ (454,996)
Charges for services								
Special assessments								
Investment income			28,997	28,997			4,448	4,448
Miscellaneous revenue			321,813	321,813				
Total revenues	3,481,848	8,952,446	8,660,188	(292,258)		500,000	49,452	(450,548)
EXPENDITURES:								
Police								
Fire								
Other governmental services								
Grant program and administration	3,481,848	8,952,446	8,660,188	292,258				
Community development program and administration					1,500,000		312,072	1,187,928
Debt Service:								
Principal								
Interest and fiscal charges								
Capital outlay - SPLOST funded								
Total expenditures	3,481,848	8,952,446	8,660,188	292,258		1,500,000	312,072	1,187,928
Excess of revenues over (under) expenditures	-	-	-	-	-	(1,000,000)	(262,620)	737,380
OTHER FINANCING SOURCES (USES):								
Transfers in								
Transfers out						1,000,000		(1,000,000)
Total other financing sources (uses)						1,000,000		(1,000,000)
Net change in fund balance	\$ -	\$ -		\$ -	\$ -	\$ -	(262,620)	\$ (262,620)
FUND BALANCE - JANUARY 1							768,688	
FUND BALANCE - DECEMBER 31			\$ -				\$ 506,068	

CITY OF SAVANNAH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS AND DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2003

	HAZARDOUS MATERIALS TEAM				PUBLIC SAFETY COMMUNICATIONS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:								
Intergovernmental revenue								
Charges for services	\$ 211,644	\$ 329,800	\$ 173,200	\$ (156,600)	\$ 1,747,166	\$ 1,978,331	\$ 2,027,539	\$ 49,208
Special assessments							267	267
Investment income								
Miscellaneous revenue								
Total revenues	211,644	329,800	173,200	(156,600)	1,747,166	1,978,331	2,027,806	49,475
EXPENDITURES:								
Police					2,516,277	2,700,193	2,242,394	457,799
Fire	322,966	422,904	336,864	86,040				
Other governmental services								
Grant program and administration								
Community development program and administration								
Debt Service:								
Principal								
Interest and fiscal charges								
Capital outlay - SPLOST funded								
Total expenditures	322,966	422,904	336,864	86,040	2,516,277	2,700,193	2,242,394	457,799
Excess of revenues over (under) expenditures	(111,322)	(93,104)	(163,664)	(70,560)	(769,111)	(721,862)	(214,588)	507,274
OTHER FINANCING SOURCES (USES):								
Transfers in	111,322	93,104	163,664	70,560	769,111	721,862	448,092	(273,770)
Transfers out								
Total other financing sources (uses)	111,322	93,104	163,664	70,560	769,111	721,862	448,092	(273,770)
Net change in fund balance	\$ -	\$ -		\$ -	\$ -	\$ -	233,504	\$ 233,504
FUND BALANCE - JANUARY 1							105,382	
FUND BALANCE - DECEMBER 31			\$ -				\$ 338,886	

This statement is continued from the previous page.

CITY OF SAVANNAH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS AND DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2003

	HOTEL/MOTEL TAX				AUTOMOBILE RENTAL TAX			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:								
Selective sale tax	\$ 7,581,000	\$ 7,500,000	\$ 7,770,569	\$ 270,569	\$ 1,281,320	\$ 1,300,000	\$ 1,345,603	\$ 45,603
Intergovernmental revenue								
Charges for services								
Special assessments								
Investment income								
Miscellaneous revenue								
Total revenues	<u>7,581,000</u>	<u>7,500,000</u>	<u>7,770,569</u>	<u>270,569</u>	<u>1,281,320</u>	<u>1,300,000</u>	<u>1,345,603</u>	<u>45,603</u>
EXPENDITURES:								
Police								
Fire								
Grant program and administration								
Community development program and administration								
Other governmental services	3,790,500	3,760,168	3,895,284	(135,116)				
Debt Service:								
Principal								
Interest and fiscal charges								
Capital outlay - SPLOST funded								
Total expenditures	<u>3,790,500</u>	<u>3,760,168</u>	<u>3,895,284</u>	<u>(135,116)</u>				
Excess of revenues over (under) expenditures	<u>3,790,500</u>	<u>3,739,832</u>	<u>3,875,285</u>	<u>135,453</u>	<u>1,281,320</u>	<u>1,300,000</u>	<u>1,345,603</u>	<u>45,603</u>
OTHER FINANCING SOURCES (USES):								
Transfers in								
Transfers out	(3,790,500)	(3,739,832)	(3,875,285)	(135,453)	(1,281,320)	(1,300,000)	(1,345,603)	(45,603)
Total other financing sources (uses)	<u>(3,790,500)</u>	<u>(3,739,832)</u>	<u>(3,875,285)</u>	<u>(135,453)</u>	<u>(1,281,320)</u>	<u>(1,300,000)</u>	<u>(1,345,603)</u>	<u>(45,603)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
FUND BALANCE - JANUARY 1								
FUND BALANCE - DECEMBER 31			<u>\$ -</u>				<u>\$ -</u>	

CITY OF SAVANNAH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS AND DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2003

	CONFISCATED ASSETS				GENERAL OBLIGATION BOND DEBT SERVICE			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:								
Intergovernmental revenue								
Charges for services	\$ 27,726	\$ 30,000	\$ 29,105	(895)				
Special assessments								
Investment income							\$ 27,589	\$ 27,589
Miscellaneous revenue			190	190				
Total revenues	27,726	30,000	29,295	(705)			27,589	27,589
EXPENDITURES:								
Police								
Fire	27,726	30,000	3,197	26,803				
Other governmental services								
Grant program and administration								
Community development program and administration								
Debt Service:								
Principal						1,440,160	1,263,810	176,350
Interest and fiscal charges					\$ 6,706,810	\$ 4,788,115	3,660,000	1,128,115
Capital outlay - SPLOST funded								
Total expenditures	27,726	30,000	3,197	26,803	6,706,810	6,228,275	4,923,810	1,304,465
Excess of revenues over (under) expenditures	-	-	26,098	26,098	(6,706,810)	(6,228,275)	(4,896,221)	1,332,054
OTHER FINANCING SOURCES (USES):								
Transfers in					6,706,810	6,228,275	3,200,810	(3,027,465)
Transfers out								
Total and other financing sources					6,706,810	6,228,275	3,200,810	(3,027,465)
Net change in fund balance	\$ -	\$ -	26,098	\$ 26,098	\$ -	\$ -	(1,695,411)	\$ (1,695,411)
FUND BALANCE - JANUARY 1			9,744				3,070,864	
FUND BALANCE - DECEMBER 31			\$ 35,842				\$ 1,375,453	

This statement is continued from the previous page.

CITY OF SAVANNAH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS AND DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2003

	SPECIAL ASSESSMENTS DEBT SERVICE			VARIANCE WITH FINAL BUDGET OVER (UNDER)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Intergovernmental revenue				
Charges for services				
Special assessments	\$ 199,316	\$ 199,316	\$ 252,032	\$ 52,716
Investment income			23,526	23,526
Miscellaneous revenue				
Total revenues	<u>199,316</u>	<u>199,316</u>	<u>275,558</u>	<u>76,242</u>
EXPENDITURES:				
Police				
Fire				
Other governmental services				
Grant program and administration				
Community development program and administration				
Debt Service:				
Principal		23,239	23,239	
Interest and fiscal charges	199,316	176,077	130,170	45,907
Capital outlay - SPLOST funded				
Total expenditures	<u>199,316</u>	<u>199,316</u>	<u>153,409</u>	<u>45,907</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>122,149</u>	<u>122,149</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out				
Total and other financing sources				
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>122,149</u>	<u>\$ 122,149</u>
FUND BALANCE - JANUARY 1			<u>595</u>	
FUND BALANCE - DECEMBER 31			<u><u>\$ 122,744</u></u>	

CITY OF SAVANNAH
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2003

	ENTERPRISE FUNDS			
	PARKING SERVICES	CIVIC CENTER	GOLF COURSE	TOTAL
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 11,221,102	\$ 2,016,174	\$ 51,391	\$ 13,288,667
Receivables, net	9,205			9,205
Due from other funds		106,400		106,400
Inventories		19,248		19,248
Total current assets	11,230,307	2,141,822	51,391	13,423,520
Noncurrent assets:				
Restricted assets:				
Cash and investments	6,023,231	864,284		6,887,515
Accounts receivable		87,486		87,486
Capital assets:				
Land	785,809	606,537		1,392,346
Plant, buildings, stations, reservoirs, etc	19,067,438	16,624,288	229,083	35,920,809
Improvements, other than buildings	214,438	72,797	2,771,126	3,058,361
Machinery and equipment	682,716	969,354	54,443	1,706,513
Other capital assets		707,610	4,692	712,302
Less accumulated depreciation	(11,196,869)	(13,018,872)	(2,649,961)	(26,865,702)
Construction in progress	1,840,801	565,496	1,035	2,407,332
Total noncurrent assets	17,417,564	7,478,980	410,418	25,306,962
Total assets	\$ 28,647,871	\$ 9,620,802	\$ 461,809	\$ 38,730,482
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 37,120	\$ 39,541		\$ 76,661
Interest payable	19,910	3,052		22,962
Due to other funds				
Current portion of contractual obligations	1,290,000	290,000		1,580,000
Current portion of compensated absences	79,563	46,499		126,062
Total current liabilities	1,426,593	379,092		1,805,685
Noncurrent liabilities:				
Payable from restricted assets:				
Accounts payable	96,433			96,433
Customer deposits		218,713		218,713
Advances from other funds			\$ 143,768	143,768
Contractual obligations	15,094,629	3,638,808		18,733,437
Compensated absences		68,850		68,850
Total noncurrent liabilities	15,191,062	3,926,371	143,768	19,261,201
Total liabilities	16,617,655	4,305,463	143,768	21,066,886
NET ASSETS				
Invested in capital assets, net of related debt	707,564	3,170,266	410,418	4,288,248
Unrestricted	11,322,652	2,145,073	(92,377)	13,375,348
Total net assets	12,030,216	5,315,339	318,041	17,663,596
Total liabilities and net assets	\$ 28,647,871	\$ 9,620,802	\$ 461,809	\$ 38,730,482

CITY OF SAVANNAH, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2003

	ENTERPRISE FUNDS			
	PARKING SERVICES	CIVIC CENTER	GOLF COURSE	TOTAL
OPERATING REVENUES:				
Rental fees	\$ 6,016,665	\$ 929,508	\$ 175,750	\$ 7,121,923
Recreation fees		313,786		313,786
Miscellaneous	88,173			88,173
Total operating revenues	6,104,838	1,243,294	175,750	7,523,882
OPERATING EXPENSES:				
Personal services	1,843,055	1,131,937		2,974,992
Contractual services	729,763	393,255		1,123,018
Commodities	113,713	79,030		192,743
Internal service	480,904	301,803		782,707
Depreciation	858,786	773,795	195,984	1,828,565
Total operating expenses	4,026,221	2,679,820	195,984	6,902,025
Operating Income (Loss)	2,078,617	(1,436,526)	(20,234)	621,857
NONOPERATING REVENUES (EXPENSES):				
Interest earned	120,464	27,453	765	148,682
Interest expense	(436,993)	(203,031)	(21,377)	(661,401)
Arbitrage rebate	2,453	2,141		4,594
Total nonoperating revenues (expenses)	(314,076)	(173,437)	(20,612)	(508,125)
Income (loss) before contributions and transfers	1,764,541	(1,609,963)	(40,846)	113,732
CAPITAL CONTRIBUTIONS				
TRANSFERS IN		1,447,032		1,447,032
Change in net assets	1,764,541	(162,931)	(40,846)	1,560,764
Total net assets - beginning	10,265,675	5,478,270	358,887	16,102,832
Total net assets - ending	\$ 12,030,216	\$ 5,315,339	\$ 318,041	\$ 17,663,596

CITY OF SAVANNAH, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2003

	ENTERPRISE FUNDS			
	PARKING SERVICES	CIVIC CENTER	GOLF COURSE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 5,797,098	\$ 1,413,440	\$ 141,000	\$ 7,351,538
Cash received from other funds for services	303,260			303,260
Customer deposits received		(3,812,662)		(3,812,662)
Customer deposits returned		3,358,238		3,358,238
Cash paid to suppliers	(744,796)	(494,415)		(1,239,211)
Cash paid to other funds for services	(480,904)	(301,803)		(782,707)
Cash paid to employees	(1,834,499)	(1,125,078)		(2,959,577)
Net cash provided (used) by operating activities	<u>3,040,159</u>	<u>(962,280)</u>	<u>141,000</u>	<u>2,218,879</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:				
Repayment of advance to (from) other funds			(70,000)	(70,000)
Bond proceeds used to refinance debt	8,265,105	4,090,000		12,355,105
Issuance costs, premiums and discounts on issuance of bonds	305,764	(161,193)		144,571
Prepayment premium				-
Other nonoperating revenues				-
Transfers in		1,340,632		1,340,632
Net cash provided (used) by non capital financing activities	<u>8,570,869</u>	<u>5,269,439</u>	<u>(70,000)</u>	<u>13,770,308</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of long-term debt				-
Principal payments received on note receivable				-
Bond proceeds used to finance capital improvement projects	5,764,282			5,764,282
Issuance costs, premiums and discounts on issuance of bonds	(325,673)			(325,673)
Interest received	151			151
Principal paid on long-term debt	(8,995,000)	(4,070,000)		(13,065,000)
Interest paid	(598,745)	(286,531)	(21,376)	(906,652)
Acquisition and construction of capital assets	(1,344,346)	(98,085)	(1,035)	(1,443,466)
Net cash provided (used) by capital and related financing activities	<u>(5,499,331)</u>	<u>(4,454,616)</u>	<u>(22,411)</u>	<u>(9,976,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	120,464	27,453	765	148,682
Net cash provided by investing activities	<u>120,464</u>	<u>27,453</u>	<u>765</u>	<u>148,682</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,232,161	(120,004)	49,354	6,161,511
CASH AND CASH EQUIVALENTS, JANUARY 1 (INCLUDING RESTRICTED ACCOUNTS OF \$1,184,019 IN 2002	<u>11,012,172</u>	<u>3,000,462</u>	<u>2,037</u>	<u>14,014,671</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31 (INCLUDING RESTRICTED ACCOUNTS OF \$6,887,515 IN 2003	<u>\$ 17,244,333</u>	<u>\$ 2,880,458</u>	<u>\$ 51,391</u>	<u>\$ 20,176,182</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,078,617	\$ (1,436,526)	\$ (20,234)	\$ 621,857
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	858,786	773,795	195,984	1,828,565
Noncash rental fees			(34,750)	(34,750)
Change in assets and liabilities:				
(Increase) decrease in receivables	(4,480)	170,146		165,666
(Increase) decrease in prepaid items and inventories		(2,494)		(2,494)
Increase (decrease) in accounts and other payables	107,236	(467,201)		(359,965)
Net cash provided (used) by operating activities	<u>\$ 3,040,159</u>	<u>\$ (962,280)</u>	<u>\$ 141,000</u>	<u>\$ 2,218,879</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

1. The Golf Course received \$34,750 of property , plant and equipment as rental income through an operating lease agreement.

**CITY OF SAVANNAH
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2003**

	<u>REVOLVING</u>	<u>RISK MANAGEMENT</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 13,914,959	\$ 3,624,233	\$ 17,539,192
Receivables, net	4,727	100,000	104,727
Prepaid expenses	152,726	286,530	439,256
Inventories	534,114		534,114
Total current assets	<u>14,606,526</u>	<u>4,010,763</u>	<u>18,617,289</u>
Capital assets:			
Plant, buildings, stations, reservoirs, etc	2,412,182		2,412,182
Machinery and equipment	40,622,449		40,622,449
Machinery and equipment under capital lease	3,963,424		3,963,424
Less accumulated depreciation	(32,424,714)		(32,424,714)
Construction in progress	449,071		449,071
Total noncurrent assets	<u>15,022,412</u>	<u></u>	<u>15,022,412</u>
Total assets	<u>\$ 29,628,938</u>	<u>\$ 4,010,763</u>	<u>\$ 33,639,701</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 560,042	\$ 357,768	\$ 917,810
Interest payable	5,786		5,786
Current portion of compensated absences	208,011		208,011
Current portion of claims and judgments payable		1,894,504	1,894,504
Current obligation under capital leases	1,690,263		1,690,263
Total current liabilities	<u>2,464,102</u>	<u>2,252,272</u>	<u>4,716,374</u>
Noncurrent liabilities:			
Compensated absences	332,000		332,000
Claims and judgments		6,639,122	6,639,122
Obligations under capital leases	2,273,161		2,273,161
Total noncurrent liabilities	<u>2,605,161</u>	<u>6,639,122</u>	<u>9,244,283</u>
Total liabilities	<u>5,069,263</u>	<u>8,891,394</u>	<u>13,960,657</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,058,988		11,058,988
Unrestricted	<u>13,500,687</u>	<u>(4,880,631)</u>	<u>8,620,056</u>
Total net assets	<u>24,559,675</u>	<u>(4,880,631)</u>	<u>19,679,044</u>
Total liabilities and net assets	<u>\$ 29,628,938</u>	<u>\$ 4,010,763</u>	<u>\$ 33,639,701</u>

CITY OF SAVANNAH
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2002

	<u>REVOLVING</u>	<u>RISK MANAGEMENT</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Charges for services	\$ 12,818,836		\$ 12,818,836
Risk management fees		\$ 19,603,103	19,603,103
Total operating revenues	<u>12,818,836</u>	<u>19,603,103</u>	<u>32,421,939</u>
OPERATING EXPENSES:			
Central garage	3,965,895		3,965,895
Information services	3,058,534		3,058,534
Engineering	929,378		929,378
Real property services	307,470		307,470
Depreciation	4,622,849		4,622,849
Risk management		24,537,489	24,537,489
Total operating expenses	<u>12,884,126</u>	<u>24,537,489</u>	<u>37,421,615</u>
Operating Income (Loss)	<u>(65,290)</u>	<u>(4,934,386)</u>	<u>(4,999,676)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest earned	239,958	33,194	273,152
Interest expense	(181,501)		(181,501)
Gain (loss) on disposal of assets	346,853		346,853
Total nonoperating revenues (expenses)	<u>405,310</u>	<u>33,194</u>	<u>438,504</u>
Income (loss) before transfers	<u>340,020</u>	<u>(4,901,192)</u>	<u>(4,561,172)</u>
TRANSFERS IN TRANSFERS OUT			
Change in net assets	340,020	(4,901,192)	(4,561,172)
Total net assets - beginning	<u>24,219,655</u>	<u>20,561</u>	<u>24,240,216</u>
Total net assets - ending	<u>\$ 24,559,675</u>	<u>\$ (4,880,631)</u>	<u>\$ 19,679,044</u>

**CITY OF SAVANNAH, GEORGIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2003**

	<u>REVOLVING</u>	<u>RISK MANAGEMENT</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from other funds for services	\$ 12,827,222		\$ 12,827,222
Cash received for services and fees		\$ 19,503,103	19,503,103
Cash paid to suppliers	(2,578,253)		(2,578,253)
Cash paid to other funds for services	(920,387)		(920,387)
Cash paid to employees	(4,444,247)		(4,444,247)
Cash paid for supplies and insurance		(19,577,905)	(19,577,905)
Net cash provided (used) by operating activities	<u>4,884,335</u>	<u>(74,802)</u>	<u>4,809,533</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of long-term debt	1,627,698		1,627,698
Payments of obligations under capital lease	(1,741,933)		(1,741,933)
Interest paid	(180,624)		(180,624)
Proceeds from sale of equipment	485,064		485,064
Acquisition and construction of capital assets	(3,349,474)		(3,349,474)
Net cash provided (used) by capital and related financing activities	<u>(3,159,269)</u>		<u>(3,159,269)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	<u>239,958</u>	<u>33,193</u>	<u>273,151</u>
Net cash provided by investing activities	<u>239,958</u>	<u>33,193</u>	<u>273,151</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,965,024	(41,609)	1,923,415
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>11,949,935</u>	<u>3,665,842</u>	<u>15,615,777</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 13,914,959</u>	<u>\$ 3,624,233</u>	<u>\$ 17,539,192</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (65,290)	\$ (4,934,386)	\$ (4,999,676)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	4,622,849		4,622,849
Change in assets and liabilities:			
(Increase) decrease in receivables	8,386	(100,000)	(91,614)
(Increase) decrease in prepaid items	(17,072)	30,470	13,398
(Increase) decrease in inventories	(88,843)		(88,843)
Increase (decrease) in accounts and other payables	424,305	234,772	659,077
Increase (decrease) in claims and judgments payable		4,694,342	4,694,342
Net cash provided (used) by operating activities	<u>\$ 4,884,335</u>	<u>\$ (74,802)</u>	<u>\$ 4,809,533</u>

CITY OF SAVANNAH
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS AND AGENCY FUNDS
DECEMBER 31, 2003

	EMPLOYEES' RETIREMENT			AGENCY FUNDS		
	PENSION TRUST	OLD PENSION TRUST	TOTAL	RECORDERS COURT	FLEXIBLE BENEFITS	TOTAL
<u>ASSETS</u>						
Cash and cash equivalents	\$ 5,040,825	\$ 317,497	\$ 5,358,322	\$ 34,239	\$ 173,210	\$ 207,449
Accrued income	750,126	102	750,228			
Accounts receivable:						
From employer	18,366		18,366			
Investments, at fair market value:						
U.S. government obligations	22,858,683		22,858,683			
Domestic corporate bonds	30,423,406		30,423,406			
Domestic stocks	102,997,182		102,997,182			
International stock mutual fund	18,463,455		18,463,455			
Real estate fund	18,437,515		18,437,515			
Total investments	193,180,241		193,180,241			
Total assets	198,989,558	317,599	199,307,157	\$ 34,239	\$ 173,210	\$ 207,449
<u>LIABILITIES</u>						
Liabilities:						
Payable from restricted assets:						
Accounts payable	76,946		76,946	\$ 34,239		\$ 34,239
Employee benefits payable					\$ 63,397	63,397
Benefit plan surplus					109,813	109,813
Total liabilities	76,946		76,946	\$ 34,239	\$ 173,210	\$ 207,449
<u>NET ASSETS</u>						
Held in trust for:						
Employee pension benefits	\$ 198,912,612	\$ 317,599	\$ 199,230,211			

**CITY OF SAVANNAH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2003**

	EMPLOYEES' RETIREMENT		
	PENSION TRUST	OLD PENSION TRUST	TOTAL
ADDITIONS			
Contributions			
Employer	\$ 3,740,104	\$ 100,000	\$ 3,840,104
Plan members	4,918,545		4,918,545
Total contributions	8,658,649	100,000	8,758,649
Investment income			
Interest	2,845,751	4,384	2,850,135
Dividends	509,053		509,053
Real estate net income	1,273,481		1,273,481
Net appreciation (depreciation) in fair value of investment	25,641,618	(1,531)	25,640,087
Total investment income	30,269,903	2,853	30,272,756
Less investment expense	460,988		460,988
Net investment income (loss)	29,808,915	2,853	29,811,768
Total additions	38,467,564	102,853	38,570,417
DEDUCTIONS			
Benefits	7,509,821	137,510	7,647,331
Refunds of contributions	875,903		875,903
Administrative expense	84,475		84,475
Total deductions	8,470,199	137,510	8,607,709
Change in net assets	29,997,365	(34,657)	29,962,708
Net assets:			
Beginning of year - January 1	168,915,247	352,256	169,267,503
End of year - December 31	\$ 198,912,612	\$ 317,599	\$ 199,230,211

CITY OF SAVANNAH, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2003

	JANUARY 1, 2003	ADDITIONS	DEDUCTIONS	DECEMBER 31, 2003
RECORDER'S COURT				
<u>ASSETS</u>				
Restricted assets:				
Cash and investments	\$ 17,447	\$ 5,604,023	\$ 5,587,231	\$ 34,239
Total assets	<u>\$ 17,447</u>	<u>\$ 5,604,023</u>	<u>\$ 5,587,231</u>	<u>\$ 34,239</u>
<u>LIABILITIES</u>				
Payable from restricted assets:				
Accounts payable	\$ 17,447	\$ 5,604,023	\$ 5,587,231	\$ 34,239
Total liabilities	<u>\$ 17,447</u>	<u>\$ 5,604,023</u>	<u>\$ 5,587,231</u>	<u>\$ 34,239</u>
FLEXIBLE BENEFITS PLAN				
<u>ASSETS</u>				
Restricted assets:				
Cash and investments	\$ 110,846	\$ 416,651	\$ 354,287	\$ 173,209
Total assets	<u>\$ 110,846</u>	<u>\$ 416,651</u>	<u>\$ 354,287</u>	<u>\$ 173,209</u>
<u>LIABILITIES</u>				
Payable from restricted assets:				
Benefits payable	\$ 16,067	\$ 401,616	\$ 354,287	\$ 63,396
Benefit plan surplus	<u>94,779</u>	<u>15,035</u>		<u>109,814</u>
Total liabilities	<u>\$ 110,846</u>	<u>\$ 416,651</u>	<u>\$ 354,287</u>	<u>\$ 173,209</u>
TOTAL				
<u>ASSETS</u>				
Restricted assets:				
Cash and investments	\$ 128,293	\$ 6,020,674	\$ 5,941,518	\$ 207,449
Total assets	<u>\$ 128,293</u>	<u>\$ 6,020,674</u>	<u>\$ 5,941,518</u>	<u>\$ 207,449</u>
<u>LIABILITIES</u>				
Payable from restricted assets:				
Accounts payable	\$ 17,447	\$ 5,604,023	\$ 5,587,231	\$ 34,239
Benefits payable	16,067	401,616	354,287	63,396
Benefit plan surplus	<u>94,779</u>	<u>15,035</u>		<u>109,814</u>
Total liabilities	<u>\$ 128,293</u>	<u>\$ 6,020,674</u>	<u>\$ 5,941,518</u>	<u>\$ 207,449</u>

CITY OF SAVANNAH, GEORGIA
SCHEDULE OF PROJECTS FUNDED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2003

		Total Estimated Cost to be Funded from All Sources	Original Sales Tax Funding per Referendum Resolution	Current Estimated Cost to be Funded by Sales Tax	Sales Tax Funded Expenditures		
					Prior Years	Current Year	Total Remaining Balance
SALES TAX FUND I:							
	Local Road, Sidewalk and Drainage Projects		\$10,875,470				
DR208	Broughton Street Drainage Cave-In	\$708,820		\$27,953	\$27,953	\$27,953	
OP204	Forsyth and Daffin Sidewalk Replacement	107,655		10,000	10,000	10,000	
OP301	LARP Paving Project	136,309		42,000	42,000	42,000	
OP305	Liberty Parkway Sidewalk	350,355		295,033	295,033	295,033	
OP307	Windsor Forest School Sidewalks	19,690		19,690	19,690	19,690	
OP308	Juliette Lowe School Sidewalks	23,690		23,690	23,690	23,690	
OP309	Spencer, Bartow, Hodge School Sidewalks	26,118		26,118	26,118	26,118	
OP310	Heard, Smith School Sidewalks	6,204		6,204	6,204	6,204	
OP311	Haven, Pulaski School Sidewalks	96		96	96	96	
OP312	Largo-Tibet School Sidewalks	31,948		31,948	31,948	31,948	
OP608	Habersham Street Sidewalks	69,209		69,209	69,209	69,209	
OP609	Whitebluff Sidewalks	69,305		69,305	69,305	69,305	
OP610	Daffin Park Perimeter	88,517		88,517	88,517	88,517	
OP611	Eastside Sidewalks	500,778		483,510	483,510	483,510	
OP612	WB Elementary Sidewalks	83,535		82,864	82,864	82,864	
OP614	Thomas Square Sidewalks	55,831		907	907	907	
OP615	Richards Street Sidewalks	116,034		1,534	1,534	1,534	
OP617	Stillwood & Butler Sidewalks	57,514		57,514	57,514	57,514	
OP621	Forsyth Sidewalks-Phase II	11,766		11,766	11,766	11,766	
OP903	Gwinnett St. Underpass	440,062		94,887	94,887	94,887	
RE503	Daffin Jogging Sidewalk	42,826		22,000	22,000	22,000	
SP111	Hazardous Sidewalk	726,068		358	358	358	
SW312	Hoover Creek Drainage and Paving	1,215,062		400,000	400,000	400,000	
SP200	Twickenham Area Paving	1,308,131		387,672	387,672	387,672	
SP201	Atlantic Paving	2,312,628		814,120	814,120	814,120	
SP202	Bon-Air, Riviera, Rogers & Lehward Paving	762,206		295,920	295,920	295,920	
SP213	Hamilton Court Paving	275,405		81,235	81,235	81,235	
SP300	Alta, Halsey, Industry & Ware Paving	596,002		514,940	514,940	514,940	
SP301	Gordonston Area Paving	1,144,800		971,542	971,542	971,542	
SP302	Adirondak, Bacon Park & Bruce Paving	336,908		257,815	257,815	257,815	
SP304	Felt Drive Paving	42,534		21,034	21,034	21,034	
SP305	Ohio Avenue Paving	396,255		190,268	190,268	190,268	
SP306	Charlton, DeRenne, Pierpont & 34th Paving	679,279		472,922	472,922	472,922	
SP307	Robin & Rendant Paving	771,141		527,433	527,433	527,433	
SP309	Laurel Grove Paving	247,813		203,720	203,720	203,720	
SP310	Ripley, Sheffield, Scott & Whitman Paving	445,575		336,768	336,768	336,768	
SP311	Avondale Area Paving	598,015		510,416	510,416	510,416	
SP313	Semken Plant, Battey, Nunez & Waters Paving	555,610		468,158	468,158	468,158	
SP400	Columbia, Heard, Lloyd & Fayette Paving	954,319		98,023	98,023	98,023	
SP401	36th, Kinzie, Galway, Gunter, 50th, Gunnie, Corinth & Baudry Park Paving	327,831		14,100	14,100	14,100	
SP402	Central Avenue Paving	53,788		30,986	30,986	30,986	
SP501	Honeybee Area Paving	1,210,895		16,000	16,000	16,000	
SP502	Liberty City Paving	1,168,729		155,479	155,479	155,479	
SP504	Fulton Road Extension Paving	530,954		33,255	33,255	33,255	
SP602	1994 Street Paving-Phase II	414,133		12,422	12,422	12,422	
SP702	44th, 48th, Clifford, Barrington, Desoto, Etc. Paving	514,322		166,702	166,702	166,702	
SP703	Archer, Bates, Blossum, Clitwald & Elmdale Paving	1,108,423		8,000	8,000	8,000	
SP704	49th, 56th, Latimer, Costa Rica, Cedar, Etc. Paving	1,539,782		67,000	67,000	67,000	
SP705	Felt & Waubun Paving	1,586,555		936,508	936,508	936,508	
SP804	Hodgson Memorial Drive Paving	704,427		150,000	150,000	150,000	
SP903	Deiter, Riverwalk & MLK Paving	466,599		27,000	27,000	27,000	
SP905	Stuart, Barry & 57th Paving	531,206		82,000	82,000	82,000	
TOTALS-SALES TAX FUND I		\$26,471,657	\$10,875,470	\$9,716,541	\$9,716,541	\$9,716,541 \$ -	

NOTE: This schedule discloses projects that are funded by sales tax revenue. Projects may have additional funding sources. The schedule is prepared on a cash basis.

CITY OF SAVANNAH, GEORGIA
SCHEDULE OF PROJECTS FUNDED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2003

Project Number		Total Estimated Cost to be Funded from All Sources	Original Sales Tax Funding per Referendum Resolution	Current Estimated Cost to be Funded by Sales Tax	Sales Tax Funded Expenditures			
					Prior Years	Current Year	Total	Remaining Balance
SALES TAX FUND II:								
	Savannah Roads, Sidewalks and Drainage		\$5,691,151					
DR129	Local Match GEMA Drainage Grants	\$5,838,391		\$29,982				\$ 29,982
DR208	Broughton Street Drainage Cave-In	708,820		13,850	\$ 13,850		\$ 13,850	
OP305	Liberty Parkway Sidewalk	350,355		48,322	48,322		48,322	
OP611	Eastside Sidewalks	500,778						
OP810	Beacon Light	225,207		36	36		36	
SP111	Hazardous Sidewalk Repair	726,068		7,251	7,251		7,251	
SP213	Hamilton Court Paving	275,405		98,005	98,005		98,005	
SP303	Cuyler-Brownsville Kline Paving	127,874		1,211	1,211		1,211	
SP312	Dennis, Eugene & Mosley Paving	377,958		207,845	207,845		207,845	
SP318	Repair-Install Curbs	145,001		7,700	7,700		7,700	
SP400	1992 Paving Phase I	954,319						
SP415	Kimball, McLaws, Desoto Paving	190,942		178,056	46,573		46,573	131,483
SP501	Honeybee Area Paving	1,210,895		29,579	29,579		29,579	
SP502	Liberty City Paving	1,168,729		38,135	38,135		38,135	
SP504	Fulton Road Extension Paving	530,954		84,967	84,967		84,967	
SP507	Bridge Maintenance	202,856		7,760	7,760		7,760	
SP601	1994 Street Paving-Phase I	330,049		279,242	279,242		279,242	
SP602	1994 Street Paving-Phase II	414,133		198,595	198,595		198,595	
SP603	1994 Street Paving-Phase III	1,188,965		910,276	910,276		910,276	
SP605	Adams, Kimbell & Mild Paving	29,394		29,394	29,394		29,394	
SP702	44th, 48th, Clifford, Barrington, Desoto, Etc. Paving	514,322		258,345	258,345		258,345	
SP703	Archer, Bates, Blossum, Cliwald & Elmdale Paving	1,108,423		786,255	786,255		786,255	
SP704	49th, 56th, Latimer, Costa Rica, Cedar, Etc. Paving	1,539,782		1,140,303	1,140,303		1,140,303	
SP705	Felt & Waubun Paving	1,586,555		160,719	160,719		160,719	
SP706	41st, Gwinnett Lane, Dieter, Entleman, Etc. Paving	86,088		47,804	47,804		47,804	
SP707	Carver Village Street Paving	751,202		751,202	751,202		751,202	
SP708	Holland Drive Improvements	185,929		146,821	146,821		146,821	
SP711	MLK@Victory Improvements	29,623						
SP802	Abercorn-62nd-65th Paving	511,850		122,545	122,545		122,545	
SP903	Deiter, Riverwalk & MLK Paving	466,599		435,567	435,567		435,567	
TOTALS-SALES TAX FUND II		\$22,277,466	\$5,691,151	\$6,019,767	\$5,858,302	-	\$5,858,302	\$ 161,465

NOTE: This schedule discloses projects that are funded by sales tax revenue. Projects may have additional funding sources. The schedule is prepared on a cash basis.

CITY OF SAVANNAH, GEORGIA
SCHEDULE OF PROJECTS FUNDED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2003

Project Number		Total Estimated Cost to be Funded from All Sources	Original Sales Tax Funding per Referendum Resolution	Current Estimated Cost to be Funded by Sales Tax	Sales Tax Funded Expenditures			
					Prior Years	Current Year	Total	Remaining Balance
DRAINAGE IMPROVEMENT FUND:								
DR129	Savannah Drainage Projects		\$3,000,000					
DR301	Local Match GEMA Grants			\$167,357				\$167,357
	Springfield Canal Drainage Improvements			3,366,016				3,366,016
DR111	Savannah Drainage Projects 1998-2003		71,000,000					
DR111	Kayton Pump Station Phase 2	\$1,219,860		987,471			\$987,471	
DR112	Harman Canal Drainage Improvements	3,315,500		3,279,500	1,219,424	\$130	1,219,554	2,059,946
DR113	Kayton Canal Equipment Purchase	948,947		948,947	948,947		948,947	
DR114	Kayton Railroad Bridge Replacement	513,231		513,231	513,231		513,231	
DR115	Montgomery Crossroads Bridge	30,000		30,000	12,912		12,912	17,088
DR116	Montgomery Crossroads Equipment Purchase	1,413,719		1,409,619	1,409,619		1,409,619	
DR117	Springfield Canal Bridges	157,966		156,166	156,166		156,166	
DR118	Williams Ward Detention	370,094		370,094	370,094		370,094	
DR119	Springfield Canal 2-Year Storm	2,985,064		2,985,021	2,956,851	9,466	2,966,317	18,704
DR120	Westside Equipment Purchase	2,450,000		507,740	110,581	24,720	135,301	372,439
DR121	Westside Detention	895,997		112	112		112	
DR122	Westside Pump Station & Line	9,677,981		6,177,589	350,141	3,692,694	4,042,835	2,134,754
DR123	Westside Interceptor	9,230,669		3,171,712	3,171,712		3,171,712	
DR124	Montgomery Crossroads Pump Station	10,017,902		9,950,850	9,368,223	82,330	9,450,553	500,297
DR125	Wilshire Canal	4,115,427		4,115,427	2,587,735	365,394	2,953,129	1,162,298
DR126	Holland Canal	3,174,058		3,172,211	2,442,595	684,117	3,126,712	45,499
DR127	Windsor Canal	1,409,372		1,401,372	705,602	585,431	1,291,033	110,339
DR129	Local Match GEMA Grants	5,838,391		2,231,710	1,447,310	406,028	1,853,338	378,372
DR201	DeRenne Pump Station	15,848,251		970,000	970,000		970,000	
DR204	63rd Street System	20,380,358		20,380,356	998,244	1,049,245	2,047,489	18,332,867
DR205	Demere Ward Detention	75,751		75,751	75,751		75,751	
DR206	Springfield Canal Roads	450,823		422,051	40,212	181,439	221,651	200,400
DR207	Nicholson Woods-White Bluff	112,152		48,657	48,657		48,657	
DR211	Windsor Sub-Basin	50,926		50,926	50,926		50,926	
DR212	SCADA I	52,833		17,330	17,330		17,330	
DR301	Springfield Canal Drainage Improvements	14,537,027		6,679,034	4,257,381	29,572	4,286,953	2,392,081
DR304	SCADA II	94,817		36,446	36,446		36,446	
DR305	Bilbo Basin	250,000		150,000		88,906	88,906	61,094
DR501	Cranman Drive Culvert Replacement	336,133		336,133	336,133		336,133	
DR503	Wilshire Basin Study	521,000		521,000	101,128	161,258	262,386	258,614
DR800	Westside Flooding Remediation	1,751,000		651,000	617,151	16,876	634,027	16,973
DR901	Windsor-Wilshire Basin	537,062		537,062	502,686	22,982	525,668	11,394
WT510	Extension to Unserved Areas	125,543		58,437	53,058	1,763	54,821	3,616
TOTALS DRAINAGE IMPROVEMENT FUND		\$112,887,854	\$74,000,000	\$75,876,328	\$36,863,829	\$7,402,351	\$44,266,180	\$31,610,148
CAPITAL IMPROVEMENT FUND:								
OP515	Other Capital Outlay Projects 1998-2003		\$16,292,341					
OP611	Fire Capital-SPL0ST 1998-2003	\$213,333		\$213,333	\$97,725	\$32,375	\$130,100	\$ 83,233
OP611	Eastside Sidewalks	500,778		17,268	17,268		17,268	
OP638	Railroad Property Acquisition	6,300,000	915,000	3,875,551		2,532,929	2,532,929	1,342,622
RE412	Boaen Tract Open Space	22,812		22,000	22,000		22,000	
RE604	Band Shell	791,000	700,000	787,500		7,560	7,560	779,940
RE805	Daffin Park Master Plan	3,570,315		3,365,000	37,870	183,912	221,782	3,143,218
SP212	1% Sidewalk Construction	811,798		782,732	377,183	113,241	490,424	292,308
SP214	Wheelchair Access Ramps	228,628		735	735		735	
SP308	Cuyler-Brownsville Sidewalk	28,665		23,265	23,265		23,265	
SQ411	MLK Median Landscaping	821,585		322,000	222,365	99,635	322,000	
SQ502	Elbert Square Acquisition	828,635		828,635	828,635		828,635	
SQ701	Liberty Square Reconstruction	280,000		280,000				280,000
TE502	MLK Median Installation	330,616		48,000	48,000		48,000	
RE110	Minick Turf Upgrade	40,840		2				2
RE307	Windsor Forest Pond	243,000		243,000	9,537	111,686	121,223	121,777
RE511	Cuyler-Brownsville Park	1,142,335		405,330	100,851	303,606	404,457	873
RE512	Vernon River Park	490,000		305,000	1,263	89,081	90,344	214,656
RE611	Open Space Acquisition	491,896		489,613	21,089	465	21,554	468,059
RE612	Habersham Woods Park	183,543		183,543	3,000	180,543	183,543	
RE613	Stark-Clinch Greenspace	122,107		122,107	122,107		122,107	
RE614	52nd Street Park				40,702	(40,702)		
RE615	Southside Park-Mohawk	595,735		595,735	595,735		595,735	
TOTALS CAPITAL IMPROVEMENT FUND		\$18,037,621	\$17,907,341	\$12,910,349	\$2,569,330	\$3,614,331	\$6,183,661	\$6,726,688

NOTE: This schedule discloses projects that are funded by sales tax revenue. Projects may have additional funding sources. The schedule is prepared on a cash basis.

**CITY OF SAVANNAH, GEORGIA
SCHEDULE OF HOTEL/MOTEL TAX
FOR THE YEAR ENDED DECEMBER 31, 2003**

In accordance with O.C.G.A. 48-13-51(D) 3.2, the City of Savannah levies a 6% tax on hotel/motel lodging and disburses collected funds to the Convention and Visitors Bureau and to the Georgia International & Maritime Trade Center.

This schedule provides information on the amount of Hotel/Motel tax cash receipts and the amount of such receipts which were disbursed or contractually committed to be disbursed to the Convention and Visitors Bureau of the Savannah Chamber of Commerce, and the Georgia International & Maritime Trade Center.

	<u>Amount</u>	<u>Amount as a Percentage of Revenue</u>
Hotel/Motel tax cash receipts ¹	\$ 7,376,110	
Expenditures ² made to:		
Convention and Visitors Bureau	\$ 2,468,457	33.4%
Georgia International & Maritime Trade Center	\$ 1,229,598	16.6%

¹ Cash receipts does not include accrued revenue which was received after year end.

² Expenditures includes cash disbursements and amounts contractually committed for expenditure which are to be funded by current year Hotel/Motel tax cash receipts.

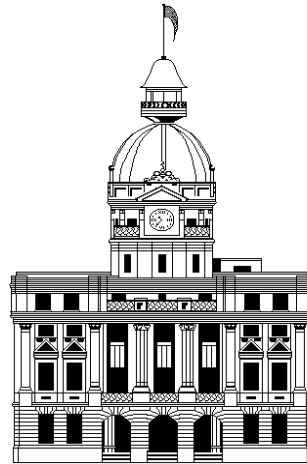
**CITY OF SAVANNAH, GEORGIA
SCHEDULE OF REVENUES AND EXPENDITURES/EXPENSES - RENTAL MOTOR VEHICLE TAX
FOR THE YEAR ENDED DECEMBER 31, 2003**

During 2003 the City collected rental motor vehicle excise tax as authorized in O.C.G.A. 48-13-93.

	<u>Amount</u>	<u>Amount as a Percentage of Revenue</u>
Rental motor vehicle tax	\$ 1,345,603	-
Transfers made to:		
General Fund	\$ 336,401	25.00%
Civic Center Fund	\$ 1,009,202	75.00%

The General Fund uses this revenue for repair, restoration and maintenance of monuments, streets and structures in the historic district of the City of Savannah.

The Civic Center Fund uses this revenue for operating, capital and debt requirements of the Savannah Civic Center.



STATISTICAL SECTION

STATISTICAL SECTION

Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present nonaccounting data. These tables reflect social and economic data, financial trends and the fiscal capacity of the City.

**CITY OF SAVANNAH, GEORGIA
GENERAL FUND EXPENDITURES AND OTHER USES FOR SELECTED FUNCTIONS
LAST TEN CALENDAR YEARS**

(THOUSANDS OF DOLLARS)

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Services</u>	<u>Leisure Services</u>	<u>Debt Service</u>	<u>Total</u>
1994	\$4,253	\$32,230	\$29,695	\$6,681	\$6,218	\$79,077
1995	4,238	34,065	32,316	6,798	6,417	83,834
1996	4,451	37,033	34,002	7,370	6,968	89,824
1997	7,213	35,765	30,264	7,940	7,190	88,372
1998	7,471	37,770	37,287	8,209	7,330	98,067
1999	7,658	38,349	41,106	9,145	6,147	102,405
2000	7,992	39,292	45,947	9,759	5,471	108,461
2001	8,351	41,910	42,355	10,633	4,698	107,947
2002	9,233	44,597	41,841	11,045	3,901	110,617
2003	9,374	47,491	42,561	11,417	3,203	114,046

**CITY OF SAVANNAH, GEORGIA
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
LAST TEN CALENDAR YEARS**

(THOUSANDS OF DOLLARS)

<u>Year</u>	<u>Property Taxes</u>	<u>Taxes Other than Property Taxes</u>	<u>Licenses and Permits</u>	<u>Fines Forfeits & Penalties</u>	<u>Revenue From Use of Money and Property</u>	<u>Revenue From Other Agencies</u>	<u>Charges for Current Services</u>	<u>Misc. Other Revenue</u>	<u>Total</u>
1994	\$29,286	\$32,296	\$9,301	\$1,543	\$1,476	\$1,168	\$3,717	\$745	\$79,532
1995	30,766	34,950	8,306	1,893	1,995	1,577	3,959	717	84,163
1996	33,036	37,364	10,003	1,944	1,886	1,643	3,578	943	90,397
1997	34,855	32,455	10,517	1,858	1,135	1,248	5,481	1,161	88,710
1998	35,263	41,444	11,587	2,157	1,555	1,437	5,538	1,324	100,305
1999	35,558	42,923	12,150	2,414	1,749	450	6,134	2,295	103,673
2000	35,221	46,328	12,538	2,388	2,827	1,078	6,173	2,071	108,624
2001	35,485	46,058	13,611	2,494	2,372	510	5,947	1,804	108,281
2002	34,950	62,667	1,195	3,491	933	2,300	7,937	716	114,189
2003	38,316	58,284	1,355	4,396	527	2,329	8,776	958	114,941

**CITY OF SAVANNAH, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS**

Year	Total Tax Levy*	Current Taxes Collected During Year	Percentage of Levy Collected During Year	Prior Year Taxes Collected During Year	Total Collections	Ratio of Collections to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent to Current Tax Levy
1994	\$30,537,818	\$27,304,621	89.41%	\$1,981,063	\$29,285,684	95.90%	\$3,282,993	10.75%
1995	30,990,741	28,000,154	90.35%	2,766,270	30,766,424	99.28%	3,892,006	12.56%
1996	32,847,204	31,175,756	94.91%	1,860,162	33,035,918	100.57%	3,875,814	11.80%
1997	34,723,752	31,637,525	91.11%	3,217,679	34,855,204	100.38%	3,144,757	9.06%
1998	34,908,893	32,003,961	91.68%	3,259,056	35,263,017	101.01%	4,287,455	12.28%
1999	35,294,210	33,230,032	94.15%	2,328,225	35,558,257	100.75%	3,998,110	11.33%
2000	35,851,233	33,741,041	94.11%	1,480,279	35,221,320	98.24%	4,377,460	12.21%
2001	36,570,321	34,146,452	93.37%	1,338,578	35,485,030	97.03%	5,014,010	13.71%
2002	35,597,373	32,317,361	90.79%	2,632,577	34,949,938	98.18%	5,040,340	14.16%
2003	37,696,759	34,555,246	91.67%	3,760,478	38,315,724	101.64%	4,173,640	11.07%

*Includes: Real Property
Industrial Area
Personal Property
Utility
Vehicles
Mobile Home Taxes

The Levy Year is from January 1 to December 31. Real property is billed in two installments - March and October.
Personal property is billed annually with payments due in November.

**CITY OF SAVANNAH, GEORGIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY
LAST TEN CALENDAR YEARS**

(THOUSANDS OF DOLLARS)

<u>Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Utilities & Other Property</u>		<u>Total</u>	
	<u>Assessed Value</u>	<u>Estimated True Value</u>	<u>Assessed Value</u>	<u>Estimated True Value</u>	<u>Assessed Value</u>	<u>Estimated True Value</u>	<u>Assessed Value</u>	<u>Estimated True Value</u>
1994	\$1,233,328	\$3,083,320	\$372,397	\$930,993	\$184,765	\$461,913	\$1,790,490	\$4,476,226
1995	1,274,602	3,186,505	405,014	1,012,535	180,257	450,643	1,859,873	4,649,683
1996	1,338,951	3,347,378	431,007	1,077,518	182,916	457,290	1,952,874	4,882,186
1997	1,448,796	3,621,990	453,951	1,134,878	176,720	441,800	2,079,467	5,198,668
1998	1,517,793	3,794,483	512,740	1,281,850	177,546	443,865	2,208,079	5,520,198
1999	1,697,231	4,243,078	540,793	1,351,983	179,807	449,518	2,417,831	6,044,579
2000	1,857,754	4,644,385	602,381	1,505,953	183,237	458,093	2,643,372	6,608,431
2001	1,937,406	4,824,300	615,008	1,537,520	188,451	471,128	2,740,865	6,832,949
2002	2,127,008	5,317,520	576,203	1,440,508	196,043	490,108	2,899,254	7,248,136
2003	2,275,009	5,687,523	554,473	1,386,183	198,369	495,923	3,027,851	7,569,628

**CITY OF SAVANNAH, GEORGIA
PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS
LAST TEN CALENDAR YEARS**

(PER \$1,000 OF ASSESSED VALUE)

<u>Year</u>	<u>City</u>	<u>Schools</u>	<u>County</u>	<u>Chatham Area Transit Authority</u>	<u>County Special Service District (1)</u>	<u>State</u>	<u>Total (1)</u>
1994	17.46	19.98	13.78	0.90	4.21	0.25	52.370
1995	17.46	19.98	11.88	0.70	3.76	0.25	50.270
1996	17.46	19.98	11.88	0.90	3.76	0.25	50.470
1997	16.93	19.98	11.39	0.95	3.74	0.25	49.500
1998	16.50	19.14	11.64	0.95	3.74	0.25	48.480
1999	14.80	19.83	11.01	0.90	3.62	0.25	46.790
2000	13.70	18.84	10.44	0.858	3.49	0.25	44.088
2001	13.50	18.58	10.367	0.853	3.48	0.25	43.546
2002	13.30	17.55	10.367	0.82	3.48	0.25	42.287
2003	13.30	17.77	10.367	0.82	3.48	0.25	42.507

(1) This County Special Service District tax is levied only in unincorporated areas of the County, and is not included in the total paid by City of Savannah property owners.

**CITY OF SAVANNAH, GEORGIA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS**

Year	Total of Assessments Levied	Amount Paid in Year of Levy	Percent Paid in Year of Levy	Balance Placed on Ten-Year Installment Plan	Total of Assessments on Installments Paid or Abated as of 12/31/03	Special Assessments Receivable at 12/31/03		Percent of Assessments On Installments Delinquent	2003 Installment			
						Due in Future	Delinquent		Adjusted Current Install- ment Due in 2003	Current Install- ment Paid in 2003	Balance of Installments Due at 12/31/03	Percent of Installment Unpaid as of 12/31/03
Prior to 1994						\$17	\$74,217		\$8,381	\$3,141	\$5,240	62.5%
1994												
1995	301,348	74,177	24.6%	227,171	203,007	7,042	17,122	5.7%	7,577	3,823	3,753	49.5%
1996	500,000			500,000	500,000				50,000	50,000		
1997												
1998	155,173	42,015	27.1%	113,158	81,785	19,987	11,387	7.3%	5,677	4,058	1,619	28.5%
1999	31,458	6,478	20.6%	24,980	14,336	8,333	2,311	7.3%	1,465	791	674	46.0%
2000												
2001	40,684	15,902	39.1%	24,783	7,938	15,308	1,537	3.8%	2,057	1,999	58	2.8%
2002												
2003												
Interest and Penalties							96,706		23,106	16,548	6,558	28.4%
	\$1,028,663	\$138,572	13.5%	\$890,092	\$807,066	\$50,687	\$203,280	10.4%	\$98,263	\$80,360	\$17,902	18.2%

Note: Special assessments are levied by the City of Savannah against properties which benefit from street and right-of-way improvements. Assessments not paid within (30) days of levy are placed on a ten-year installment plan. Annual installments, plus interest on the outstanding balance are due each September 1. Annual installments not paid by September 30 are executed, or declared delinquent and become liens against the property which bear interest at the rate of 1% per month. Of all assessments levied prior to 1994, \$74,217 remain receivable at 12/31/03 in delinquent status.

**CITY OF SAVANNAH, GEORGIA
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN CALENDAR YEARS**

Year	Population	Assessed Value (Thousands of Dollars)	General Obligation Bonded Debt (Thousands of Dollars)	Ratio of Bonded Debt To Assessed Value (%)	General Obligation Bonded Debt Per Capita
1994	137,560	\$1,790,490	\$15,750	.88	\$114.49
1995	137,560	1,859,873	15,485	.83	112.57
1996	137,560	1,952,875	15,065	.77	109.52
1997	137,560	2,044,415	13,040	.64	94.79
1998	137,560	2,208,079	10,175	.46	73.96
1999	137,560	2,417,831	7,160	.29	52.05
2000	137,560	2,643,372	3,995	.15	29.04
2001	132,985	2,733,179	2,650	.09	19.93
2002	132,985	2,899,254	2,325	.08	17.48
2003	132,985	3,027,851	1,700	.06	12.78

NOTE: All General Obligation Bonds mature serially. Population figures are based on the U.S. Census data.

**CITY OF SAVANNAH, GEORGIA
STATEMENT OF LEGAL DEBT MARGIN
DECEMBER 31, 2003**

Assessed Value 2003 Tax Roll		<u>\$3,027,851,110</u>
General Bonded Debt Limit, 10% of Assessed Value		\$302,785,111
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	\$58,645,000	
Less: Revenue Bonds	<u>56,945,000</u>	
Amount of Debt Applicable		<u>1,700,000</u>
Legal Unused Borrowing Margin		<u>\$301,085,111</u>

NOTE: Excludes Special Assessment bonds that are not legally a part of the City's debt.

**CITY OF SAVANNAH, GEORGIA
STATEMENT OF DIRECT AND OVERLAPPING
GENERAL OBLIGATION SUPPORTED BONDED DEBT
DECEMBER 31, 2003**

	<u>Amount Outstanding 12/31/03</u>	<u>Percentage Applicable to Savannah</u>	<u>Amount Applicable to Savannah</u>
City of Savannah			
General Obligation Bonded Debt	\$1,700,000	100.00%	\$1,700,000
Contractual Obligations:			
Resource Recovery Development Authority	66,135,000	100.00%	66,135,000
Downtown Savannah Authority (Parking Project)	2,375,000	100.00%	2,375,000
Downtown Savannah Authority (Capital Improvement Project)	18,425,000	100.00%	18,425,000
Downtown Savannah Authority (Stormwater Improvements)	<u>21,290,000</u>	100.00%	<u>21,290,000</u>
Total Direct General Obligation Supported Bonded Debt	<u>109,925,000</u>		<u>109,925,000</u>
Chatham County			
Contractual Obligations:			
Downtown Savannah Authority (Detention Center/Old Courthouse Renovation)	21,635,000	44.78%	9,688,153
Chatham County Hospital Authority Revenue Bonds	1,495,000	44.78%	669,461
Mighty Eighth Air Force Heritage Center	10,595,000	44.78%	4,744,441
Downtown Savannah Authority (Chatham County Projects), Series 1999	8,475,000	44.78%	3,795,105
Chatham County Recreation Authority Revenue Bonds, Series 1995	5,200,000	44.78%	2,328,560
Chatham-Savannah School Board			
General Obligation Bonded Debt	134,450,000	44.78%	60,206,710
Contractual Obligations:			
Downtown Savannah Authority (School Improvement Project)	<u>21,835,000</u>	44.78%	<u>9,777,713</u>
Total Indirect General Obligation Supported Bonded Debt	<u>203,685,000</u>		<u>91,210,143</u>
Total Direct and Indirect General Obligation Supported Bonded Debt	<u>\$ 313,610,000</u>		<u>\$ 201,135,143</u>

**CITY OF SAVANNAH, GEORGIA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN CALENDAR YEARS**

(THOUSANDS OF DOLLARS)

Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures and Other Financing Uses	Ratio of Debt Service To Total General Expenditures and Other Financing Uses
1994	\$2,110	\$964	\$3,074	\$79,077	.038
1995	2,265	933	3,198	83,834	.038
1996	2,420	878	3,298	89,824	.037
1997	4,505	2,685	7,190	88,372	.081
1998	4,815	2,515	7,330	98,066	.075
1999	4,224	1,923	6,147	102,405	.060
2000	3,698	1,773	5,471	108,461	.050
2001	3,091	1,607	4,698	107,947	.043
2002	2,439	1,440	3,879	110,617	.035
2003	1,937	1,264	3,201	114,046	.028

**CITY OF SAVANNAH, GEORGIA
REVENUE BOND COVERAGE
WATER AND SEWER REVENUE BONDS
LAST TEN CALENDAR YEARS**

(THOUSANDS OF DOLLARS)

Year	Gross Revenue (Including Transfers In) (1)	Total Expenses & Transfers Out (Excluding Depreciation)	Net Revenue Available for Debt Service	Current Revenue Bond Debt Service			
				Principal	Interest	Total	Coverage
1994	\$33,574	\$17,869	\$15,705	\$2,165	\$2,842	\$5,007	3.14
1995	35,995	18,550	17,445	2,300	2,714	5,014	3.48
1996	38,921	21,127	17,794	2,430	2,578	5,008	3.56
1997	39,737	21,555	18,182	1,155	2,557	3,712	4.90
1998	42,503	25,834	16,669	2,775	2,937	5,712	2.92
1999	43,071	26,714	16,357	2,910	2,797	5,707	2.87
2000	45,473	27,222	18,251	3,060	2,652	5,712	3.19
2001	48,210	30,001	18,209	3,215	2,500	5,715	3.19
2002	47,590	30,858	16,732	3,370	2,354	5,724	2.92
2003	45,109	28,388	16,721	3,545	2,019	5,564	3.01

(1) Excludes interest earned on construction funds.

**CITY OF SAVANNAH, GEORGIA
DEMOGRAPHIC STATISTICS
LAST TEN CALENDAR YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>Chatham County Per Capita Income</u>	<u>Public School Enrollment (3)</u>	<u>Chatham County Unemployment Rate (4)</u>
1994	137,560	\$20,679(2)	35,703	6.2% (5)
1995	137,560	22,457(2)	35,984	5.4% (5)
1996	137,560	24,698(5)	36,478	5.0% (5)
1997	137,560	25,139(5)	36,197	4.9% (5)
1998	137,560	26,431(2)	36,421	4.5% (5)
1999	137,560	27,710(2)	36,016	4.4% (5)
2000	137,560	28,364(2)	34,465	3.8% (5)
2001	132,985	29,033(5)	35,163	3.4% (5)
2002	132,985	29,920(5)	34,730	4.3% (5)
2003	132,985	32,119(5)	34,730	4.1% (5)

Sources: (1) U.S. Census Bureau
(2) Bureau of Economic Analysis
(3) Savannah-Chatham Board of Public Education
(4) U.S. Bureau of Labor Statistics
(5) Estimated by GEOSTATS, Inc., Savannah, GA

CITY OF SAVANNAH, GEORGIA
COMMERCIAL/INDUSTRIAL CONSTRUCTION, RESIDENTIAL CONSTRUCTION, RETAIL SALES, BANK DEPOSITS AND OTHER ECONOMIC INDICATORS
LAST TEN CALENDAR YEARS

Year	Commercial/ Industrial Construction (2)		Residential Construction (2)		Chatham County Retail Sales (1)	Chatham County Civilian Labor Force (4)		Bank Deposits and Savings Capital (3)
	Number of Permits	Value (000's)	Number of Units	Value (000's)	(Millions)	Number Employed	Unemployment Rate(%)	(000's)
1994	48	\$14,553	198	\$11,472	\$2,719	100,965	6.2	\$2,057,096
1995	212	70,385	97	7,386	2,872	101,428	5.4	2,098,059
1996	233	53,675	79	8,441	3,046 (4)	105,266	5.0	2,327,416
1997	131	28,961	149	19,591	3,241 (4)	102,876	4.9	2,313,316
1998	113	30,767	140	23,720	3,566 (4)	133,000	4.5	2,325,532
1999	50	32,127	140	12,295	4,027 (4)	136,000	4.4	2,353,321
2000	85	81,856	125	21,668	4,386 (4)	138,100	3.8	2,552,819
2001	67	37,396	111	13,300	4,403 (4)	136,600	3.4	2,658,728
2002	97	81,863	113	14,024	4,511 (4)	138,200	4.3	2,778,395
2003	76	64,290	283	73,022	4,600 (4)	139,700	4.1	3,153,948

Sources: (1) Georgia Department of Revenue
(2) City of Savannah, Department of Inspections
(3) Federal Deposit Insurance Corporation and Federal Home Loan Bank Board
(4) Estimated by GEOSTATS, Inc., Savannah, Georgia

**CITY OF SAVANNAH, GEORGIA
PRINCIPAL TAXPAYERS
DECEMBER 31, 2003**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Savannah Electric & Power Co.	Electric Utility	\$34,696,978	1.15%
International Paper Co.	Paper Manufacturer	32,504,400	1.07%
Home Depot	Telephone Utility	29,666,707	0.98%
Bell South	Regional Distribution Center	28,946,517	0.96%
Oglethorpe Mall, LLC	Regional Shopping Mall	27,903,600	0.92%
Friedmans Inc.	Retail Jewelry Sales	15,230,856	0.50%
Savannah Harbor Resort	Westin Hotel	14,558,400	0.48%
CS Hotels, LP	Marriott Hotel	15,878,800	0.52%
Savannah LP AP/APMC	Hyatt Hotel	13,012,000	0.43%
G A C Aircraft Company	Aircraft Manufacturer	11,628,000	0.38%
Total Taxable Assessed Value for Principal Taxpayers		224,026,258	7.40%
Total Taxable Assessed Value for Other Taxpayers		2,803,824,852	92.60%
Total Taxable Assessed Value for All Taxpayers		<u>\$3,027,851,110</u>	<u>100.00%</u>

CITY OF SAVANNAH, GEORGIA
MISCELLANEOUS STATISTICAL INFORMATION

Date of Incorporation	1789
Form of Government	Council - Manager
Area	57 Square Miles
Fire Protection	
Number of Stations	13
Number of Firefighters and Officers	246
Police Protection	
Number of Stations	5
Number of Policemen and Officers	564
Education (Public Only)	
Public School Buildings	49
Number of Teachers	2,585
Number of Students	34,730
Recreation and Culture	
Parks	460 acres
Number of Playgrounds	58
Number of Libraries	16
Number of Volumes	545,370

	1999	2000	2001	2002	2003
Full Time Authorized Employees					
General Fund	1,371	1,376	1,422	1,433	1,436
Sanitation Fund	179	182	185	187	186
Water & Sewer Fund	267	269	269	274	275
Revolving Fund	82	82	84	91	91
Other	171	159	158	167	140
Total	<u>2,070</u>	<u>2,068</u>	<u>2,118</u>	<u>2,152</u>	<u>2,128</u>

**CITY OF SAVANNAH, GEORGIA
WATER SYSTEM PRODUCTION AND NUMBER OF SYSTEM CUSTOMERS
LAST TEN CALENDAR YEARS**

Year	Ground Water Production		Surface Water Production		Number of Water Customers	Number of Sewer Customers
	Daily Average (MGD)	Peak Day (MGD)	Daily Average (MGD)	Peak Day (MGD)		
1994	24.46	38.62	43.41	54.48	70,872	69,236
1995	25.43	37.36	41.83	52.59	71,941	69,988
1996	26.25	40.33	38.16	50.97	72,575	70,564
1997	24.75	37.04	44.67	56.23	73,111	71,071
1998	24.84	42.62	40.79	54.80	74,371	72,268
1999	23.82	35.87	27.11	*	75,351	73,165
2000	25.02	**	29.78	***	79,235	76,992
2001	25.16	31.83	36.59	46.70	79,923	77,650
2002	25.83	37.55	38.37	49.49	81,059	78,784
2003	24.66	33.76	35.52	43.43	82,714	80,456

* The decrease in 1999 resulted from the loss of a major industrial customer.

** The increase in 2000 was the result of extremely hot, dry weather.

*** The increase in 2000 was the result of a major industrial user resuming operations during the year's 3rd quarter.

**CITY OF SAVANNAH, GEORGIA
SEWAGE TREATMENT PLANT FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Sewage Treatment Facility	Capacity (MGD)	Average Flow (MGD)	Average Dry Weather Peak Flow (MGD)	Wet Weather Peak Flow (MGD)	Year of Last Upgrade	Treatment Process
President Street Plant	27.00	20.96	34.17	62.89	1995	Primary treatment, activated sludge, clarifier, chlorinator, gravity thickener, belt press, clarifiers, chlorination, sludge incineration: 2MGD reclaim water by filtration.
Wilshire Plant	4.50	4.06	3.96	5.29	1999	Activated sludge, clarifier, gravity thickeners chlorinator, belt press, sludge disposed at landfill.
Travis Field Plant	1.50	1.23	1.50	2.53	1996	Activated sludge, clarifiers, chlorinator, gravity thickener, centrifuge dewatering, sludge disposed at landfill.
Georgetown Plant	2.45	1.47	5.11	6.21	1991	Activated sludge, clarifiers, effluent filtration, ultra-violet disinfection, belt press, sludge disposed at landfill.
Total	<u>35.45</u>	<u>27.72</u>	<u>44.74</u>	<u>76.92</u>		

**CITY OF SAVANNAH, GEORGIA
WATER AND SEWER RATES
LAST NINE CALENDAR YEARS**

Year	Bi-Monthly Water Rates for Residential and Commercial Customers						Bi-Monthly Sewage Rates for Residential and Commercial Customers						Industrial Water Rate (\$ per MG)
	Inside City			Outside City			Inside City			Outside City			
	Base Charge	First 1,500 cu. ft. per 100 cu. ft.	Over 1,500 cu. ft. per 100 cu. ft.	Base Charge	First 1,500 cu. ft. per 100 cu. ft.	Over 1,500 cu. ft. per 100 cu. ft.	Base Charge	First 1,500 cu. ft. per 100 cu. ft.	Over 1,500 cu. ft. per 100 cu. ft.	Base Charge	First 1,500 cu. ft. per 100 cu. ft.	Over 1,500 cu. ft. per 100 cu. ft.	
1994	\$11.30	\$0.34	\$0.50	\$16.95	\$0.51	\$0.75	\$8.74	\$0.72	\$1.02	\$13.11	\$1.08	\$1.53	\$334.25
1995	11.30	0.34	0.50	16.95	0.51	0.75	9.04	0.76	1.06	13.56	1.14	1.59	356.71
1996	11.05	0.39	0.57	16.57	0.58	0.85	8.79	0.80	1.13	13.18	1.20	1.69	464.29
1997	11.06	0.44	0.62	16.59	0.66	0.93	8.80	0.87	1.20	13.20	1.30	1.80	450.30
1998	11.06	0.46	0.64	16.59	0.69	0.96	8.80	0.94	1.27	13.20	1.41	1.90	442.07
1999	11.06	0.46	0.64	16.59	0.69	0.96	8.80	0.94	1.32	13.20	1.41	1.98	635.78
2000	11.06	0.46	0.64	16.59	0.69	0.96	8.80	1.00	1.38	13.20	1.50	2.07	590.15
2001	11.06	0.46	0.64	16.59	0.69	0.96	8.80	1.08	1.46	13.20	1.62	2.19	567.45
2002	11.06	0.46	0.64	16.59	0.69	0.96	8.80	1.14	1.52	13.20	1.71	2.28	566.62
2003	11.06	0.46	0.64	16.59	0.69	0.96	8.80	1.22	1.60	13.20	1.83	2.40	580.08

**CITY OF SAVANNAH, GEORGIA
WATER AND SEWER CONNECTION FEES
EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2003**

Meter Size (1)	Meter Installation Fee (per meter)	
	Installed by Plumber	Installed by City
5/8 to 3/4 inch	\$300	\$350
1 inch	350	400
1 1/2 inch	500	550

(1) Larger meters are provided by the City to licensed plumbers at various fees sufficient to cover City costs.

	Tap-in Fee per ERU (2)	
	Inside City	Outside City
Water Tap-in	\$600	\$900
Sewer Tap-in	400	500

(2) Equivalent Residential Unit which is generally equivalent to a water demand of 300 gallons per day.

Note: In addition to the above meter installation fees and tap-in fees, other surcharges are charged for new connections to the water and sewer system on a per ERU basis. The amount of the surcharge fee varies by geographic area and such fees are computed to recover the system's capital costs incurred to serve the specific area. Water impact fees vary by geographic area from zero to 1,080 per ERU. Sewer impact fees vary by geographic area from \$345 to \$2,200 per ERU.

**CITY OF SAVANNAH, GEORGIA
MAJOR WATER AND SEWER CUSTOMERS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Ten largest residential/commercial customers of the water and sewer system:

Customer	Product/Business	2003 Customer Revenue	Percent of 2003 Water and Sewer Fund Gross Revenue
Housing Authority of Savannah	Public housing	\$745,531	1.65%
Chandler/St. Josephs Hospital	General hospital	271,284	0.60%
Memorial Medical Center	General hospital	228,385	0.51%
Georgia Ports Authority	State port operator	210,328	0.47%
Coastal Correctional Institute	State prison	185,984	0.41%
Gulfstream Aerospace	Aircraft manufacturer	163,597	0.36%
Indigo Point Apartments	Apartments	124,558	0.28%
DeSoto Hilton	Hotel	123,939	0.27%
Roger Wood Packaging Co.	Meat processor	116,991	0.26%
Hyatt Regency	Hotel	93,014	0.21%
		<u>\$2,263,611</u>	<u>5.02%</u>

Major industrial customers of the water system:

Customer	Product/Business	2003 Customer Revenue	Percent of 2003 Water and Sewer Fund Gross Revenue	2003 Consumption (MG)
Weyerhaeuser	Bleached pulp	\$3,000,818	6.65%	5,173
International Paper	Unbleached kraft products	1,642,391	3.64%	2,831
Kerr McGee	Titanium dioxide, sulfuric acid	1,585,560	3.51%	2,733
		<u>\$6,228,769</u>	<u>13.80%</u>	<u>10,737</u>

**RESOURCE RECOVERY DEVELOPMENT AUTHORITY
FACILITY PERFORMANCE
FOR THE YEARS 1996 TO 2003**

Description	1996	1997	1998	1999	2000	2001	2002	2003
Total Waste Processed (Reference Tons)	204,773	183,038	179,983	176,109	167,545	174,611	168,875	169,926
Total Steam Produced (1000 pounds)	994,297	866,001	886,533	905,780	866,663	873,456	813,019	815,234
Steam Produced per Pound of Reference Waste (lbs-steam/lbs-reference waste)	2.43	2.37	2.46	2.57	2.59	2.50	2.41	2.40
Steam Produced as Percent of Guaranteed Exportable Steaming Rate (2.42 lbs-steam per pound of Reference Processible Waste)	100.4%	97.9%	101.7%	106.2%	107.0%	103.3%	99.6%	99.2%
Steam accepted by energy purchaser (MMBTUs)	843,017	786,082	754,735	701,977	693,544	668,607	628,657	586,927
Steam accepted as percent of energy purchaser's purchase obligation (582,500 MMBTUs if produced)	144.7%	134.9%	129.6%	120.5%	119.1%	114.8%	107.9%	100.8%
Average steam price (\$/MMBTU)	\$3.52	\$3.48	\$3.40	\$3.44	\$4.20	\$6.65	\$5.81	\$6.50
Total Steam Sales (\$000)	\$2,964	\$2,737	\$2,565	\$2,417	\$2,915	\$4,446	\$3,654	\$3,815
Total Electrical Production (kWhr)	13,746,204	6,626,000	9,958,319	15,768,766	10,344,000	12,982,000	9,035,000	6,902,000

Source: SESCO and City records

**RESOURCE RECOVERY DEVELOPMENT AUTHORITY
FACILITY DISPOSAL FEE AND NET COST OF PROJECT TO CITY
CALENDAR YEARS 1996 TO 2003
(\$000)**

	1996	1997	1998	1999	2000	2001	2002	2003
Disposal Fee Credits:								
Steam Energy Sales	\$2,964	\$2,737	\$2,565	\$2,417	\$2,915	\$4,386	\$3,654	\$3,815
Back Pressure/Condensing Energy Sales	155	3	0	0	0	92	61	0
Interest Earnings	321	287	297	268	361	370	181	147
Less: Montenay Share of Energy	(868)	(468)	(399)	(424)	(419)	(626)	(482)	(730)
Total Credits	<u>2,572</u>	<u>2,559</u>	<u>2,463</u>	<u>2,261</u>	<u>2,857</u>	<u>4,222</u>	<u>3,414</u>	<u>3,232</u>
Disposal Fee Debits:								
Operation and Maintenance Fee	2,440	2,507	2,556	2,605	2,715	2,732	2,764	2,789
Montenay Passthrough Costs	2,665	3,222	4,158	4,392	5,333	6,859	6,256	5,631
Debt Service	3,359	3,703	4,232	4,735	5,421	5,259	5,708	6,603
Total Debits	<u>8,464</u>	<u>9,432</u>	<u>10,946</u>	<u>11,732</u>	<u>13,469</u>	<u>14,850</u>	<u>14,728</u>	<u>15,023</u>
Authority Disposal Fee	5,892	6,873	8,483	9,471	10,612	10,628	11,314	11,791
Add: Authority Passthrough Costs	128	180	194	150	208	176	171	331
Less: Fees collected from private haulers	(1,188)	(1,907)	(1,081)	(578)	(295)	(317)	(363)	(319)
Less: Fees collected from commercial waste generators served by private haulers (a)	0	0	(1,787)	(3,008)	(3,438)	(3,784)	(3,993)	(4,002)
Less: Ash disposal fee paid to City included in Montenay Passthrough Costs	(1,420)	(2,015)	(2,106)	(2,088)	(2,269)	(2,963)	(3,265)	(2,083)
Net cost to City	<u>\$3,412</u>	<u>\$3,131</u>	<u>\$3,703</u>	<u>\$3,947</u>	<u>\$4,818</u>	<u>\$3,740</u>	<u>\$3,864</u>	<u>\$5,718</u>
Waste processed by Facility for City (Reference Tons)	156,544	161,399	156,399	157,539	155,745	156,532	151,160	156,530
Net disposal cost per ton for City waste	\$21.80	\$19.40	\$23.68	\$25.05	\$30.94	\$23.89	\$25.56	\$36.53

(a) Beginning in 1998, the City levied a commercial waste disposal fee directly on waste generators within the City. At the same time the tipping fee at the facility for commercial waste collected within the City by private haulers was reduced to a nominal \$1 per ton.

**RESOURCE RECOVERY DEVELOPMENT AUTHORITY
WASTE PROCESSED
CALENDAR YEARS 1996 TO 2003
(Reference Tons)**

	1996	1997	1998	1999	2000	2001	2002	2003
City Waste	124,349	116,772	115,221	108,091	108,091	112,732	113,799	119,783
Private Hauler Waste (generated within City)(a)			48,199	60,644	64,338	66,051	65,048	63,436
Private Hauler Waste (generated outside of City but within Chatham County)	34,738	66,127	18,572	13,641	5,390	4,988	6,575	5,746
Montenay Recruited Waste	48,229	21,639	23,584	18,570	11,800	18,079	13,275	13,396
Total Available Waste	207,316	204,538	205,576	200,946	189,619	201,850	198,697	202,361
Less: Waste by-passed to landfill	2,543	21,500	25,593	24,837	22,074	27,239	29,822	32,435
Total Waste Processed by Facility	<u>204,773</u>	<u>183,038</u>	<u>179,983</u>	<u>176,109</u>	<u>167,545</u>	<u>174,611</u>	<u>168,875</u>	<u>169,926</u>
Waste Processed as Percent of Minimum Guaranteed Yearly Facility Capacity (156,000 Reference Tons/Year)	131.3%	117.3%	115.4%	112.9%	107.4%	111.9%	108.3%	108.9%
Waste Available as Percent of Minimum waste delivery requirement (131,000 Tons/Year)(b)	158.3%	156.1%	156.9%	153.4%	144.7%	154.1%	151.7%	154.5%

(a) In March 1998 the City implemented a commercial waste generator fee directly on commercial waste generators located within the City. Waste of such generators is accepted by the Facility for a nominal \$1 per ton.

(b) All waste, other than Montenay recruited waste from outside Chatham County, counts toward the City's minimum delivery obligation.

Source: Montenay scale data as reported by City